

Executive Summary

Introduction to Ladder Capital Asset Management



FIRM HISTORY & ORGANIZATION

Ladder Capital Corp is an internally managed real estate investment trust (REIT) focused on U.S. commercial real estate lending, securities and equity investments. Ladder is based in New York and has grown to become a leading commercial real estate finance institution, with \$5.9 billion in total assets as of September 30, 2017. The company was founded in 2008 with \$611 million of equity from Ladder's senior management team, high-net-worth individuals, and institutional investors including leading global sovereign wealth funds and private equity firms. Ladder Capital Corp completed its initial public offering in 2014 and is traded on the New York Stock Exchange under the symbol LADR.

Ladder Capital Asset Management LLC, or the Adviser, is Ladder Capital Corp's SEC-registered asset management subsidiary designed to allow individual and institutional investors to benefit from Ladder's highly-targeted expertise in U.S. commercial real estate (CRE) investing. The Adviser's predecessors have advised high-net-worth individuals and institutional investors in CRE-secured mortgage and bond investing in separate account and partnership format since 2009. With the launch of Ladder Select Bond Fund (LSBIX) in late 2016, Ladder now offers a senior secured CRE investment strategy in the mutual fund space.

LADDER SELECT BOND FUND

We believe that the best investment decisions are made by subject-area experts with strategic advantages and access to superior knowledge and information in defined fields. The Ladder Select Bond Fund is designed to build on Ladder's unique expertise in the CRE finance space, investing in a generally investment grade portfolio of commercial mortgage backed securities (CMBS) and CRE debt where we believe our knowledge of the underlying real estate collateral and securities structure allows us to add value in security selection and portfolio management. The strategy is offered through a no-load mutual fund with an institutional class currently available (LSBIX) and an Advisor class expected to be available at a future time (LSBKX). The Fund seeks a combination of current income and capital preservation for investors interested in making tightly-defined allocations to managers with established expertise in their respective fields.

INVESTMENT PHILOSOPHY

Ladder is inherently conservative. We favor fixed income investments secured by stable, cash-flowing CRE properties over unsecured obligations. We favor strong downside protected positions with attractive credit metrics that benefit from the credit enhancement provided by subordinated bonds and borrowers' equity versus higher-yielding junior securities that lack these protections.

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Ladder Select's CMBS investments are required to be at least 85% investment-grade rated. This requirement mirrors the portfolio Ladder constructed for its own account since 2008 which encompassed over \$9 billion of CMBS investments to date. This cautious philosophy also applies to other risk factors such as duration, liquidity, and interest rates.

By focusing on investments in highly-rated securities with short to intermediate-term durations, and hedging interest rate risks prudently, Ladder's CMBS portfolio has experienced muted price volatility and enhanced liquidity.

We view financial markets as inherently unpredictable so we remain focused on the CRE space we know well and stay senior, secured, and liquid while targeting attractive risk-adjusted income and capital protection as the foundation of our conservative wealth-preservation strategy. The potential for capital appreciation from this solid base is also a component of our approach to investing.

INVESTMENT PROCESS DESCRIPTION

Ladder's position as one of the largest non-bank originators of U.S. commercial mortgage loans provides us with unique insight and strategic knowledge advantages over generalist fixed-income asset managers. We believe our national lending operations help us understand MSAs/locations, respective submarkets, property types, borrower profiles, property histories, and other key underwriting considerations more thoroughly than asset managers who focus on a wider array of financial products. Our focus affords us the benefits of specialization and helps guide what we pursue and what we steer clear of within our industry.

As such, Ladder uses a comprehensive in-house investment process that evaluates commercial real estate fundamentals applicable to commercial mortgage financing including but not limited to:

- the markets and property types of properties securing the mortgages underlying CMBS trusts,
- the length and diversity of average lease terms, and tenant quality and diversity,
- the loan to value (LTV) ratio, debt service coverage ratio (DSCR), debt yield and other credit metrics of the first mortgages under consideration, including bonds subordinated and more junior to Ladder's targeted position,
- the identity and reputation of underlying borrowers
- the diversity of underlying cash flows in the CMBS trusts, and
- fixed income considerations critical to successful debt investing, including expected duration and relative value compared to instruments of similar duration.

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Ladder accesses information for its investment process from nationally recognized market data sources, specific CMBS trust reports, loan servicer reports, rating agency surveillance reports, and broker, borrower, and lender industry relationships developed over many years.

In selecting investments for Ladder Select, the Adviser seeks investments that it believes offer the best value relative to other comparable securities based on multiple factors, including, but not limited to:

- credit quality and structure relative to other bonds in the capital stack,
- maturity dates,
- yields and amortization schedules,
- credit support from subordinate bonds and borrower equity, and
- applicable ratings and rating agency outlooks for the subject bonds and overall CMBS trusts.

Once investments are made, the Adviser actively monitors the credit performance and relative value of each investment by reviewing and staying abreast of detailed loan servicer reports, borrower status, rating agency surveillance reports, changes to ratings and/or outlooks for each tranche of relevant CMBS securities, and detailed reporting of underlying loan payments provided for all relevant CMBS and other CRE-secured trusts. This monitoring information is regularly supplemented by CRE industry and market information Ladder gleans as a significant player in the CRE finance space.

PORTFOLIO CONSTRUCTION

Asset allocations and security purchases & sale decisions are made with a consensus building approach by the Portfolio Managers, Brian Harris and Craig Sedmak. Portfolio construction considerations are refined on a continuous basis based on new macro and micro factors as it becomes available if we believe changed conditions may affect our positions positively or negatively. Balance is sought in multiple categories including but not limited to:

- the relative amount of floating and fixed rate assets,
- the quality and durability of underlying property-level cash flows,
- asset-type diversity,
- geographic market diversity,
- capital structure diversity within respective Fund constraints to enable portfolio construction throughout the structured ratings spectrum based on acceptable relative risk/return dynamics,
- securitization structure diversity related to payment timing and other considerations, and
- the relative amount of secured versus unsecured cash flows driving Fund income.

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Also, the Fund's ability to utilize interest rate hedging allows the Adviser to protect the Fund's returns in certain market conditions and deliver a more dynamic investment portfolio.

RISK CONTROLS

To Ladder, risk includes a permanent loss of client capital, excessive volatility, and illiquidity. In our view, risk control starts with an Adviser's asset selection which is the culmination of its investment philosophy, investment process, and portfolio construction procedures. As an inherently risk-adverse Adviser and successful principal investor, Ladder's credit-centric focus on senior secured assets with moderate duration is designed to reduce portfolio risk on multiple fronts. Careful follow-up and investment surveillance that drive our buy/sell decisions including close monitoring of available data related to the underlying CRE properties that are pledged as collateral that secure our mortgage-backed bond positions are integral components of our risk management culture.

SELL DISCIPLINE

Ladder exercises a "bottom up" fundamental analysis at the collateral property level for its investments as well as a "top down" bond market analysis related to relative value and relative spreads at respective durations. Upon position acquisition approval, an investment thesis is set for each investment and the continued validity of that thesis is checked on an ongoing basis. Durable, reliable, and recurring property cash flows is generally central to that thesis. Also central to the thesis is an analysis of our position's "last dollar" exposure relative to the value of the underlying properties securing it. If this "bottom up" analysis indicates that our position may have principal risk because of weakening underlying property fundamentals, the position would become a sale candidate. The "top down" bond market analysis looks at more macro factors like relative spreads and expected supply of new issue bonds that might make a sale of an existing position attractive to capture better risk adjusted returns. Ladder's sell discipline is straightforward and driven by (i) the avoidance of increased credit risk, and (ii) the opportunity to capture better returns from new investments if applicable while maintaining all relevant Fund constraints.

PORTFOLIO MANAGEMENT TEAM

Brian Harris, Chief Executive Officer of Ladder Capital Corp and Ladder Capital Asset Management LLC, founded Ladder in 2008. Mr. Harris oversees the management of Ladder, which currently has approximately \$5.9 billion of assets and \$1.5 billion of book equity as of September 30, 2017. Prior to forming Ladder, Mr. Harris served as a Managing Director and Head of Global Commercial Real Estate at Dillon Read Capital Management (June 2006 to May 2007), a wholly-owned subsidiary of UBS, where he managed over \$500 million of equity capital for global commercial real estate activities. Collectively, Mr.

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Harris has over 32 years of experience in real estate and financial markets. He also earned a B.S. in Biology and M.B.A., each from The State University of New York at Albany.

Craig Sedmak is a Portfolio Manager of the Ladder Select Bond Fund and is a Managing Director of Ladder Capital Asset Management. Mr. Sedmak joined Ladder in October 2015, following a sabbatical from the industry to pursue family and personal interests in December 2011. Previously, Mr. Sedmak was a Managing Director in the Royal Bank of Scotland's Global Banking Market MBS trading group, where he was the senior trader supervising all commercial real estate and CMBS trading. Mr. Sedmak has more than 17 years of experience in real estate and financial markets. He earned a B.S. in Business Administration from American University.

Mutual Fund investing involves risks. Principal loss is possible. Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund. This information and other important information about the Fund is contained in the Prospectus, which can be obtained by calling Shareholder Services at 888-859-5867 or on the Fund's website at www.ladderfunds.com. The Prospectus should be read carefully before investing.

Investments in mortgage-backed securities, asset-backed securities and other structured finance instruments include additional risks that investors should be aware of, such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund will concentrate its investments in commercial mortgage-backed securities ("CMBS") and, therefore, will be subject to the risks associated with these securities, including risks associated with the underlying mortgages, to a greater degree than a fund that does not concentrate in such securities. Investments in non-investment grade and unrated securities present a greater risk of loss to principal and interest than higher-rated securities. Derivatives involve risks different from and, in certain cases, greater than the risks presented by more traditional investments. Investments in non-investment grade and unrated securities, derivatives, and restricted securities tend to involve greater liquidity risk. The Fund is non-diversified and, therefore, may be more susceptible to being adversely affected by a single corporate, economic, political or regulatory occurrence than a diversified fund. Any use of leverage by the Fund may exaggerate the effect of any increase or decrease in the value of securities in the Fund's portfolio on the Fund's Net Asset Value and, therefore, may increase the volatility of the Fund. The Fund is new and the Fund's investment adviser has not previously served as investment adviser to a registered investment company. For more information on these risks and other risks of the Fund, please see the Prospectus.

Ladder Select Bond Fund is distributed by Ultimus Fund Distributors, LLC.

See www.ladderfunds.com for more information regarding the Adviser and the Ladder Select Bond Fund, or call (888) 859-5867.