USQ

USQ Core Real Estate Fund

Quarterly review
2Q 2020

Investment Strategy

- **Access**
  The Fund seeks to provide both current income and capital appreciation through access to private real estate funds that are members of the NFI-ODCE NR Index.
- **Moderate Volatility**
  The underlying private real estate funds invest in commercial properties with limited leverage and high occupancy rates, and are generally leased to tenants with high credit ratings.
- **Low Correlation**
  Diversification benefits may be obtained when private real estate is added to a traditional equity/bond portfolio.

Market Overview

The second quarter of 2020 proved to be one of resilience. Even as the global pandemic took hold in the U.S, unemployment soared, and the economy slipped into a recession, equity markets recovered significantly from the previous quarter. The S&P 500 posted an impressive 20.54% increase while fixed income returns were also solid with the BBgBarc Aggregate Bond Index returning a positive 2.90%. Publicly traded REITs (as measured by the MSCI US Real Estate Index NR) also recovered returning 11.39% for the quarter. While it is a common belief among investors that public real estate values are indicative of future private real estate values, we do not believe this holds in all environments. Rather, publicly traded REITs tend to trade with the broad based markets more so than move in line with actual real estate values. Consider the last 18 months of publicly traded REIT performance, increasing 24% in 2019, declining by 27% in Q1 2020, and then recovering in Q2 2020. Core private real estate (as measured by the NFI-ODCE NR) by contrast, is not subject to the wild swings in publicly traded markets and more accurately depicts the true value of real estate. Over that same period, core private real estate was up a modest 4% in 2019, up 0.94% in Q1 2020, and down just -1.74% in Q2 2020. Core private real estate (as measured by the NFI-ODCE NR) had a negative return of -1.74%, driven mainly by declines in retail properties.

Although returns were strong across most asset classes, the second quarter was nothing short of challenging for U.S. investors. As the economy began to reopen from the shutdowns, it became clear that the Covid-19 pandemic would change the way Americans live and work for the foreseeable future. The lockdowns certainly helped flatten the curve initially, and when the economy began to reopen the markets rewarded equity investors with strong returns, driven partially by optimism the country could return to some semblance of normalcy and partially because of the unprecedented stimulus packages from the U.S. Government. However, whether or not this recovery can truly take hold will be determined by the ability of the U.S. to safely resume business and control the outbreak without having to lockdown parts of the country again. We remain cautiously optimistic and although case numbers have surged in the first two weeks of July, we have seen positive developments with anti-viral medications, vaccine development, and a general understanding of how the virus spreads.

As it relates to commercial real estate, the effects of this pandemic are still unclear, however pockets of clarity began to emerge in the second half of the quarter. First and foremost, rent collections strengthened throughout the quarter as the economy began to reopen. Several of the NFI-ODCE fund managers reported rent collection rates above 90% when the quarter closed with industrial, multi-family, and office all posting strong collection numbers — unsurprisingly, retail tenant rent collections were the weakest. However it is worth noting that although rents were not collected from many retailers concessions from property owners was primary in the form of deferments and not forgiveness, therefore we expect a large portion of those rents to be collected at a later date.

Transaction volume remained low across commercial real estate in general, but we did see volume start to pick up across some property types in the latter half of the quarter, and it became clear that the industrial and multi-family properties are still favored by real estate investors. Both property types saw transactions resume at valuation levels close to those of pre-pandemic levels. Transaction volumes in office and retail property types were very limited, however the fund did experience some valuation pressure as vacancy and credit loss assumptions were scrutinized by appraisers. Retail properties saw the largest declines, but we believe most of those declines are likely pricing in the current fundamentals and, in our opinion, we are unlikely to see much more pressure on

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well located, grocery and necessity based retail centers (which is the majority of the exposure in the Fund). We also experienced slight valuation declines across the office property type, but again don't expect large declines when transaction volume resumes.

As we have received a number of questions regarding the future of the office property type, we wanted to take a minute to share our thoughts. While no one can predict the future, we think the headlines discussing that many organizations will go to a complete work from home model may be misleading. Certainly, many organizations have learned that having a portion of their workforce at home can still be productive. However, we believe that most organizations will continue to maintain office space even as a portion of their workforce can remain remote, and that we will enter a period of de-densification. Over the past decade, we have seen office space move to open floor plans with limited space between associates. During the remainder of this pandemic and for the foreseeable future, we believe that employees will require a larger space to maintain a safe distance between their coworkers. Therefore, many office tenants will need to re-configure their space and while there is the potential of a decrease in demand because a portion of workers will remain home, we believe it will be largely offset by the need to have more space between employees. That, coupled with the fact that office properties were not oversupplied heading into this downturn, should bode well for the property type moving forward. Furthermore, many of the tenants across the portfolio have long dated leases that require significant payments for early termination, therefore even if there is a structural shift in office demand it will take years to implement. Finally, we would also note that other times in history have also created the same speculation about the future of office, especially in highly concentrated urban areas. As we have seen, that was nothing more than speculation and the desire to have face-to-face human interaction that fosters collaboration is needed for organizations to thrive.

As we stated last quarter, real estate fundamentals heading into this downturn were very strong (unlike other downturns in the past few decades). Most property types were not over-supplied and leverage was modest, especially within the NFI-ODCE funds, which had an average leverage ratio of 22%. Furthermore, the NFI-ODCE was defensively positioned to withstand volatility with the occupancy rate close to a record high at approximately 93%. The Fund has minimal exposure to hotels, senior housing, malls, or other sectors more significantly impacted by Covid-19 and overall statistics regarding current development among the NFI-ODCE funds remains low (0-10%). We expect the NFI-ODCE's focus on remaining a "core" commercial real estate index with strict risk requirements will be highlighted in an environment such as this. Also, during periods of market stress, the demand for "core" property types has traditionally strengthened as the stability of cash flows from income-producing properties that are well leased is what many investors will look for as they decrease risk across their portfolios.

Although there is still a fair amount of uncertainty that remains, it is important to remember some key considerations. First, the Fund is well positioned for this environment and maintains its investments in the highest quality private real estate. Second, the Fund provides strong correlation benefits and acts a strong ballast for a well-diversified portfolio. Finally, it is important to note that downturns that have occurred in the past often had severely negative implications for commercial real estate when capital was not available. In this downturn, capital from both debt and equity financing remains robust and many of the NFI-ODCE managers are well capitalized. With the abundance of capital, low interest rates, demand for core commercial real estate, and stability of the income, we believe that the Fund is well positioned moving forward. Barring a second shutdown, we also believe that most of the valuation declines we have experienced are likely behind us. However, even if we see more pressure, further declines are likely to be minor given the amount of capital waiting to be deployed should there be any dislocation in the market.

We thank you for your investment in the Fund and wish you, your families, friends, and colleagues all the best during this pandemic. Please stay safe.

Quarterly Fund Highlights

The Fund experienced a slightly negative quarter of -1.74% but maintained a 1.00% quarterly distribution.

The Fund maintained its allocation to private real estate securities of approximately 95% of its net assets at the end of the 2nd quarter. The Fund will maintain liquid assets of at least 5%, using a combination of cash and publicly traded securities. Entering this quarter, the Fund did not hold any publicly traded securities.

In a world full of uncertainty, it was increasingly important to maintain our riskadjusted approach of allocating investments across property types, geographies, and maintaining limited leverage. The Fund seeks this diversification by investing its private real estate allocation exclusively in private funds comprising the NFI-ODCE, which has served the Fund's shareholders well so far through this downturn and we believe will offer an improved chance of resilience and recovery going forward.

Returns for periods ended 6/30/2019

			Annualized Total Return			
	QTD	YTD	1 Yr	3 Yr	5 Yr	Since Inception 9/27/2017
Class I Shares: USQIX	-1.76%	-0.84%	0.71%	N/A	N/A	4.05%
S&P 500 TR	20.54%	-3.08%	7.51%	10.73%	10.73%	10.17%
Bloomberg Barclays U.S. Agg. Bond Index TR	2.90%	6.14%	8.74%	5.32%	4.30%	5.51%
MSCI U.S. REIT NR Index	11.39%	-18.95%	-13.92%	-1.19%	2.74%	-1.24%
NFI-ODCE NR	-1.74%	-1.00%	1.34%	4.73%	6.35%	4.53%

The performance quoted represents past performance. Past performance does not guarantee future results. The current performance may be lower or higher than the performance data quoted. The investment return and principal value of the Fund will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost. Performance data current to the most recent month end may be obtained by calling 1-833-877-3863.

Fund returns reflect actual fee waivers and reimbursement of expenses for the time periods represented. Had fees and expenses not been waived and reimbursed, returns would have been lower. See the prospectus for more information on current fees and expenses. All investing involves risk, including the possible loss of principal. Performance for periods less than one year is not annualized. Since Inception performance of the NFI-ODCE NR is as of 10/2/2017, due to quarterly calculation of the index. NFI-ODCE NR performance is preliminary and subject to change. Final performance is typically not available from NCREIF until up to 45 days after quarter-end; to distribute the Quarterly Review sooner, preliminary performance for NFI-ODCE NR has been shown.

Fund Facts

	Ticker	CUSIP	Inception Date	Investment Minimum*	12b-1 Fee	Net Expense Ratio
Class I Shares	USQIX	90351Y101	9/27/2017	$25,000	None	0.96%

Class I gross expenses are 3.05% and net expenses are 0.96%. Net fees are based on a contractual fee waiver and reimbursement agreement that will continue indefinitely until terminated by mutual agreement of the Adviser and the Fund, including consent of the Fund's Board.

**Investment minimums are waived for certain investors. See the Prospectus for additional details.*

Definitions

Correlation is a statistic that measures the extent to which two asset classes (or securities) move in relation to each other. Two asset classes that have a high correlation move in the same direction as markets rise and fall. Two asset classes with negative or inverse correlation move in opposite directions as markets rise and fall. The closer the correlation statistic between two asset classes is to zero, the more independently the asset classes move with respect to each other.

Indexes

BBgBarc U.S. Agg Bond Index The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged market value-weighted index for U.S. dollar denominated investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year.

The MSCI US REIT Index is a free float-adjusted market capitalization index that is comprised of equity REITs. With 152 constituents, it represents about 99% of the US REIT universe and securities are classified in the Equity REITs Industry (under the Real Estate sector) according to the Global Industry Classification Standard (GICS®). It however excludes Mortgage REIT and selected Specialized REITs.

NFI-ODCE The NCREIF Fund Index — Open-end Diversified Core Equity (NFI-ODCE) consists of private real estate equity funds that meet certain criteria with respect to such things as leverage (less than 40%), operations (at least 80% leased or available to be leased), sector and geographic diversification, and investment in core real estate (at least 80% in office, industrial, apartment and retail properties).

S&P 500 Index S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

Fund holdings and sector and geographic allocations are subject to change and are not recommendations to buy or sell securities.

One cannot invest directly in an index.

Risk Disclosures

Investing in the Fund's shares involves substantial risks, including the risks set forth in the "Risk Factors" section of this prospectus, which include, but are not limited to the following: Investing in real estate entails special risks, including (i) changes in general economic and market conditions; (ii) changes in the value of real estate properties; (iii) risks related to local economic conditions, overbuilding and increased competition; (iv) increases in property taxes and operating expenses; (v) changes in zoning laws; (vi) casualty and condemnation losses; (vii) variations in rental income, neighborhood values or the appeal of property to tenants; (viii) the availability of financing and (ix) changes in interest rates and leverage. There are also special risks associated with particular real estate sectors, or real estate operations generally. The Fund is not intended to be a complete investment program, but instead as a way to help investors diversify into real estate. Diversification does not ensure a profit or guarantee against a loss. There currently is no secondary market for the Fund's shares and the Adviser does not expect that a secondary market will develop. Limited liquidity is provided to shareholders only through the Fund's quarterly Repurchase Offers for no less than 5% of the Fund's shares outstanding at net asset value. There is no guarantee that shareholders will be able to sell all of the shares they desire in a quarterly Repurchase Offer.

Before investing in the Fund, you should carefully consider the Fund's investment objectives, risks, fees and expenses. For a copy of a prospectus which contains this and other information, please visit our website at www.usqfunds.com or call 1-833-USQ-FUND [1-833-877-3863]. Please read the Fund's prospectus carefully before investing.

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