**RESOURCE**

REAL ESTATE DIVERSIFIED INCOME FUND

managed by a C-III Capital Partners company

**Structure:** Registered 1940 Act interval fund

www.ResourceAlts.com

(866) 773-4120

# Quarterly Portfolio Update: As of March 31, 2019

Commercial real estate fundamentals remain strong amidst mixed macroeconomic data. We managed the Resource Real Estate Diversified Income Fund (the "Fund"), a closed-end interval fund, with these market conditions in mind.

## Portfolio highlights

### Real Estate Credit

- Colony Capital Series E & I Preferred Stock (1.6% of the portfolio) returned 20.5% in Q1 as a result of improved credit metrics and portfolio dynamics at the company, a real estate conglomerate that recently purchased a sizable industrial portfolio. Overall, the Fund's REIT preferred portfolio was up 9.3% in the quarter as the Federal Reserve's dovish signals prompted a rally in the sector.
- HCFT Series A (0.0% of the portfolio) returned 1.2% during the quarter. The position underperformed the portfolio because the series was called on January 15th by the Sponsor prior to the broad rally in REIT preferred stocks. As a result of the redemption, the Fund no longer owns the position.

### Public Equity

- Medical Properties Trust (1.3% of the portfolio) outperformed the Public Equity portfolio during the quarter by returning 16.7%. The stock benefited from a favorable shift in supply and demand and the company's unique concentration in acute-care hospitals.
- National Storage Affiliates (0.0% of the portfolio) underperformed the Public Equity portfolio during the quarter by returning 5.0% due to an elevated supply outlook within the self-storage sector nationwide. The Fund fully exited the position during Q1 2019.

### Private Equity

- Clarion Lion Industrial Trust (4.0% of the portfolio) returned 3.4% in Q1 due to continued tailwinds in rent growth, leasing, and overall industrial fundamentals. The Clarion fund has consistently outperformed its industrial peers in recent quarters due to higher allocations to attractive markets such as San Francisco.
- Cottonwood Residential (0.0% of the portfolio) generated a small negative return of -1.2% during the quarter because the sponsor sold all of the remaining properties in the portfolio at a level that was slightly below net asset value. The Fund earned an annualized total return of 23.1% over the life of investment. Except for a de minimis hold back to cover the expenses of wrapping up the fund, all capital was returned to investors during the quarter.

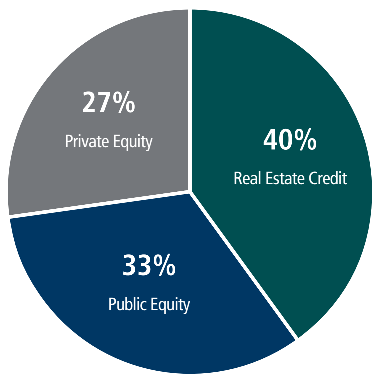
**Fund Performance**

| | 1 YR | 3 YR | 5 YR | Since Inception 3/12/13, per annum |
|---|---|---|---|---|
| Diversified Income Fund | 13.05% | 9.13% | 7.84% | 6.89% |

ALPS Fund Services, Inc. Resource Real Estate Diversified Income Fund Class A shares.

*Performance data quoted represents past performance. Past performance is no guarantee of future results and investment returns and principal value of the Fund will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted above. For performance information current to the most recent month-end, please call toll-free (866) 773-4120 or visit www.ResourceAlts.com. Performance information is reported net of the Fund's fees and expense, but does not include the Fund's maximum sales charge of 5.75% for Class A shares. Performance would have been lower if the maximum sales load had been reflected above. Class A gross expenses are 2.97% and net expenses are 2.76%. Net fees are based on a contractual fee waiver and reimbursement agreement by the Adviser to waive its management fees and absorb the ordinary annual operating expenses of the Fund to the extent they exceed 1.99% per annum of daily net assets of Class A through at least January 31, 2021.*

**Fund Composition**




The Fund is truly diversified as a majority of the Fund's individual holdings are less than 5% of the total assets.

Holdings data as of 3/31/19. Holdings are subject to change without notice. Diversification does not ensure profit or prevent losses.

Top 10 holdings include (holdings percentage): Heitman Core Real Estate Debt Income Trust, LP (7.3%), PGIM Real Estate US Debt Fund (7.2%), Clarion Lion Properties Fund, LP (4.4%), Broadstone Net Lease, Inc. (4.0%), Clarion Lion Industrial Trust (4.0%), Clarion Ventures 4, LP (3.8%), GWL U.S. Property Fund, LP (3.7%), Blackstone Mortgage Trust, Inc. (2.8%), Metlife Commercial Mortgage Income Fund, LP (2.8%), Brookfield Real Estate Finance V (2.3%).

There is no guarantee that the Fund will achieve its objectives, generate profits, or avoid losses.

## Investment outlook

1 We believe that the public real estate market remains expensive, propped up by the Fed's new dovish expectation for future interest rates.

2 Commercial real estate remains in a strong position. Property prices are positioned 30 percent above 2007 levels.

3 The Fund's interval fund structure allows for strategic allocations across strategies, with a greater focus on real estate credit late in the cycle.

The Fund's strategic outlook includes future projections. Future allocations are not guaranteed.

## Definitions

An **Interval Fund** is a continuously offered, closed-end fund that periodically offers to repurchase its shares from shareholders. Through the interval structure, the Fund offers a Liquidity Feature of quarterly redemptions at NAV of no less than 5 percent of the shares outstanding made available, redeeming more frequently than other real estate and private equity investments. Regardless of how the Fund performs, there is no guarantee that shareholders will be able to sell all of the shares they desire in a quarterly repurchase offer.

**Credit** is a category that invests in real estate companies through loan obligations, which typically includes instruments such as commercial mortgage backed securities, preferred equity, and bonds. This category may benefit from a higher claim on the assets and earnings of a company than common equity, does not have voting rights, and pays a fixed dividend with a yield usually above that of common equity.

**Public Equity** is a category that invests in public REITs, real estate operating companies, and private investment funds. Public equity is traded on stock exchanges and has voting rights.

**Private Equity** is a category that consists of actively managed real estate equity investments in an unlisted format, typically through a fund or trust. This includes private equity real estate funds and investments in non-traded REITs.

## Risk disclosures

**An investor should consider the investment objectives, risks, charges, and expenses of the Fund carefully before investing. To obtain a prospectus containing this and other information, please call (866) 773-4120 or download the file from www.ResourceAlts.com. Read the prospectus carefully before you invest.**

The Fund is distributed by ALPS Distributors, Inc. (ALPS Distributors, Inc. 1290 Broadway, Suite 1100, Denver, CO 80203). Resource Real Estate, LLC (the Fund's investment adviser), its affiliates, and ALPS Distributors, Inc. are not affiliated.

*Investing involves risk. Investment return and principal value of an investment will fluctuate, and an investor's shares, when redeemed, may be worth more or less than their original cost. Alternative investment funds, ETFs, interval funds, and closed-end funds are subject to management and other expenses, which will be indirectly paid by the Fund. Preferred securities are subject to credit risk and interest rate risk. Convertible securities are typically issued as bonds or preferred shares with the option to convert to equities. As a result, convertible securities are hybrids that have characteristics of both bonds and common stocks and are subject to risks associated with both debt securities and equity securities. Issuers of debt securities may not make scheduled interest and principal payments, resulting in losses to the Fund. Typically, a rise in interest rates causes a decline in the value of fixed income securities. The use of leverage, such as borrowing money to purchase securities, will cause the Fund to incur additional expenses and magnify the Fund's gains or losses.*

*There currently is no secondary market for the Fund's shares and the Fund expects that no secondary market will develop. Shares of the Fund will not be listed on any securities exchange, which makes them inherently illiquid. An investment in the Fund's shares is not suitable for investors who cannot tolerate risk of loss or who require liquidity, other than liquidity provided through the Fund's repurchase policy. Limited liquidity is provided to shareholders only through the Fund's quarterly repurchase offers, regardless of how the Fund performs. A portion of the Fund's distribution has been comprised of a return of capital because certain Fund investments have included preferred and common equity investments, which may include a return of capital. Any invested capital that is returned to the shareholder will be reduced by the Fund's fees and expenses, as well as the applicable sales load. Investments in lesser-known, small and medium capitalization companies may be more vulnerable than larger, more established organizations. The Fund will not invest in real estate directly, but because the Fund will concentrate its investments in securities of REITs, its portfolio will be significantly impacted by the performance of the real estate market. There are risks associated with REITs. Risks include declines from deteriorating economic conditions, changes in the value of the underlying property, and defaults by borrowers. The sales of securities to fund repurchases could reduce the market price of those securities, which in turn would reduce the Fund's NAV.*

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RESOURCE
1845 Walnut Street, 18th Floor | Philadelphia, PA 19103
(866) 773-4120 | www.ResourceAlts.com

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