

Quarterly Portfolio Update: As of September 30, 2018

Real estate market valuations continue to find equilibrium between strong economic growth, moderate supply, and rising interest rates. We managed the Resource Real Estate Diversified Income Fund (the “Fund”), a closed-end interval fund, to meet its objectives in these market conditions.*

Portfolio highlights

Real Estate Credit

- Wheeler Real Estate Investment Trust’s (1.8% of the portfolio) Series D Convertible Preferred Equity generated a 15.8% return in the quarter. This outperformance was driven by the company’s meaningful balance sheet improvements via debt reduction and refinancing. The company owns higher-yielding, secondary market shopping centers around the Carolinas.
- Colony Capital Series I Preferred Equity (1.2% of the portfolio) was flat for the quarter, which underperformed the Fund’s credit strategy. This underperformance was driven by unanticipated M&A, a dividend cut, and shareholder activism.

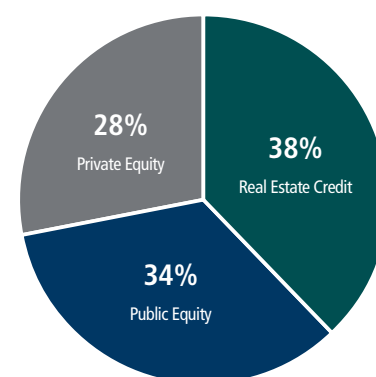
Public Equity

- Ladder Capital Corp. (1.5% of the portfolio) is a top sponsor of mid-cap, floating-rate commercial real estate first mortgages. Its stock came under pressure due to an abandoned takeover bid. The Fund’s portfolio management recognized this market inefficiency and purchased on the dip. Ladder Capital Corp. generated a 10.5% return for the quarter.
- Plymouth Industrial REIT (1.2% of the portfolio) is a small cap industrial equity REIT that invests in higher-yielding, secondary market industrial properties. Its stock was under pressure following a poorly executed equity offering, which contributed to dollar-cost averaged underperformance in the quarter.

Private Equity

- As part of the Fund’s industrial equity strategy, Clarion Lion Industrial Trust (4.2% of the portfolio) generated a strong 4.4% return this quarter. The investment is a pure-play industrial private equity fund that continues to benefit from sector-wide growth and outperformance over other core property sectors.
- Also sponsored by Clarion, closed-end, value-add private equity Fund Clarion Ventures IV (3.4% of portfolio) underperformed due to a portfolio rebalancing on the heels of incremental final round fundraising.

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 9/30/18. Holdings are subject to change without notice. Diversification does not ensure profit or prevent losses.

The Fund’s top 10 holdings include (holdings percentage): Heitman Core Real Estate Debt Income Trust, LP (8.0%), PGIM Real Estate US Debt Fund (7.9%), Broadstone Net Lease, Inc. (4.4%), Clarion Lion Properties Fund, LP (4.1%), GRE US Property Fund, LP (4.1%), Clarion Lion Industrial Trust (4.1%), Harrison Street Core Property Fund Private REIT (3.5%), Metlife Commercial Mortgage Income Fund, LP (3.2%), Prologis, Inc. (2.1%), New Residential Investment Corp. (2.1%). There is no guarantee that the Fund will achieve its objectives, generate profits, or avoid losses.

Fund Performance

	YTD	1 YR	3 YR	5 YR	Since Inception 3/12/13, per annum
Diversified Income Fund	7.83%	9.12%	8.57%	8.51%	6.97%

ALPS Fund Services, Inc. Resource Real Estate Diversified Income Fund Class A shares. You cannot invest directly in an index.

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 lowered if the maximum sales load had been reflected above. Class A gross expenses are 2.91% and net expenses are 2.70%. Net fees are based on a contractual fee waiver and reimbursement agreement of 0.21% through at least January 31, 2019.

Investment outlook

- 1** We are mindful of managing the Fund for today's market conditions, including strong economic growth and rising interest rates.
- 2** We are seeing moderate new supply, which should remain manageable due to higher borrowing and construction costs.
- 3** Late in the cycle, we continue to examine value-add equity strategies driven by property-level value creation.

Definitions

An **Interval Fund** is a continuously offered, closed-end fund that periodically offers to repurchase its shares from shareholders. This feature allows the Fund greater opportunities to invest in less liquid assets, which may result in higher risk-adjusted returns.

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.

The **S&P 500 Total Return Index** is an index of 500 stocks chosen for market size, liquidity, and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. Companies included in the index are selected by the S&P Index Committee, a team of analysts and economists at Standard & Poor's. The S&P 500 is a market value weighted index — each stock's weight is proportionate to its market value.

The **FTSE NAREIT All Equity REITs Index** is a free-float adjusted, market capitalization-weighted index of U.S. Equity REITs. Constituents of the Index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

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 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.

RRE000980-1/31/19 DIF-FLY-031-Z01

