

BROADSTONE

Using an interval fund to add real estate to client portfolios

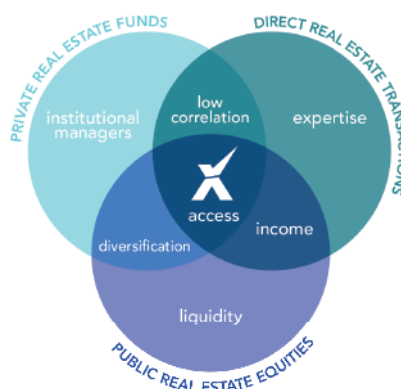
Jennifer Dohrmann-Alpert, managing director of *Real Assets Adviser*, recently spoke with **Kate Davis**, president and portfolio manager of Broadstone Real Estate Access Fund, a real estate interval fund sponsored by Broadstone Real Estate, LLC (Broadstone or the firm). Following is an excerpt of that conversation.

Hello Kate. I understand you have recently launched a new strategy, Broadstone Real Estate Access Fund. Can you tell me about it?

Broadstone Real Estate Access Fund (BDREX or the fund) is an unlisted closed-end investment company, which is commonly referred to as an interval fund. The fund seeks a return comprised of both current income and long-term capital appreciation, with low-to-moderate volatility and low correlation to the broader markets. It is focused on providing investors access to a diversified portfolio of real estate investments. As an interval fund, the fund provides investors the opportunity for liquidity on a quarterly basis, while still offering the potential benefits of being invested in real estate as an asset class, which is usually a relatively illiquid investment.

Broadstone's private REIT offerings were already notably successful in the RIA and high-net-worth space, so why launch a new strategy now?

BDREX was formed as a response to requests from advisers with whom we have longstanding relationships. They have been looking for a product that offers Broadstone's experience in real estate investing to a broader audience, and through this vehicle we are now able to provide that. Investors need not be accredited to invest in the fund and, so, the minimum is lower. The fund may offer diversification for someone who wants a real estate allocation in their portfolio but doesn't want to be overly concentrated in one specific strategy.



THINGS TO NOTE

Direct real estate investments will be held through a subsidiary wholly-owned or controlled by BDREX that qualifies as a real estate investment trust. Investments may include acquisitions of buildings within one or more of these property types: office sector, retail sector, multifamily properties and industrial properties.

Diversification does not ensure a profit or protect against a loss. The Fund provides limited liquidity by offering to make quarterly repurchases. The number of shares that the Fund will offer to repurchase will be determined by the Board of Directors on a quarterly basis and is anticipated to be 5%. Redemptions within 90 days of purchase may be subject to a fee. There is no guarantee that an investor will be able to sell all the shares that the investor desires to sell in any repurchase offer.

CONTRIBUTOR



Kate Davis
President and Portfolio Manager
Broadstone Real Estate Access Fund

Kate Davis joined Broadstone as a member of the executive team in September, 2017, with over 15 years of experience in real estate and finance.

As president and portfolio manager of Broadstone Real Estate Access Fund, a 1940 Act closed-end interval fund managed by Broadstone, Kate oversees the ongoing development and implementation of investment strategy and growth planning for the fund. Through the creation and management of a diversified portfolio of real estate investments across sectors and asset classes, Kate is responsible for achieving business and investment objectives.

What distinguishes Broadstone Real Estate Access Fund in the marketplace?

BDREX provides access through three asset classes (or “sleeves”) — public real estate equities, private real estate funds and direct real estate transactions. While we are running the first two sleeves in a way that we believe is differentiated, it is the third sleeve and the fund's ability to hold brick and mortar assets directly in the portfolio, that I would say is unique to our fund.

You mentioned that you are running your “public sleeve” in a different way than we've seen with other interval fund managers. Can you tell me more about what you're doing?

That is correct. Our sleeve of public equities is more than just a means of liquidity in the portfolio. Being an institutionally minded real estate strategy, we have brought Heitman Real Estate Securities LLC on board as a

sub-adviser to adeptly select a customized basket of U.S. REIT securities for the portfolio. In addition, we have employed them to overlay a covered call options strategy on that basket. They select certain names to cover with call options, in an effort to enhance the income derived by this segment of the portfolio while also dampening the volatility that you would normally see from a sleeve of public equities.

Can you tell me a little bit about your process for sourcing and evaluating private real estate funds and direct investment opportunities?

Sure. We are constantly keeping our fingers on the pulse of the universe of private funds. In addition to the funds that comprise the Open-End Diversified Core Equity Index (ODCE), we like to explore more boutique managers as a means to add value and diversification to the fund. Once we have identified potential investment opportunities, we have a stringent diligence process we follow before making an investment. That process culminates with approval from our investment committee.

As it relates to direct real estate, Broadstone as a firm saw over \$20 billion in deal flow in 2018, so there is an ample opportunity set for the fund to evaluate fits for the portfolio. Additionally, we have identified and continue to look for partners in the space where the fund could participate as a limited partner in owning larger assets.

So that we understand a little bit about the fund, why should an adviser or investor consider this offering in comparison to a pure portfolio of public REIT stocks, for example?

We believe this strategy offers so much more than a portfolio of REIT stocks could. By investing in private real estate funds and direct real estate, the portfolio is designed to reduce volatility and correlation to the broader market. Real estate equities exposure provides liquidity but doesn't address some of the reasons that investors look to own real estate in their portfolios, including lower volatility, lower correlation to equities and bonds, and income. Public real estate securities on their own don't meaningfully achieve those objectives.

I noticed you don't have a commissioned share class. Why was that decision made?

Broadstone historically has taken a very investor-friendly approach to our offerings. It harkens back to the early days of the firm, when our investors were mainly friends and family. We like to continue to treat our investors in this way and, thus, do not offer share classes that carry a commission. The fund is well aligned to serve the RIA channels.

What did Broadstone do to initially seed this fund?

The firm initially put a substantial investment into the fund, which aligned the manager's interests with that of the investors. It also allowed the fund to ramp quickly into a developed strategy in order to meet its investment objectives.

As an investor, how can I gain access to this fund?

Class I shares can be purchased through financial advisers and Class W shares are available directly from our investor relations team via our website, which is www.BDREX.com.

CORPORATE OVERVIEW AND CONTACT

Broadstone is a sponsor and manager of diversified real estate investment offerings for investors and institutions seeking income-oriented alternatives to the public equity markets. The firm has approximately \$3.9 billion in assets under management as of March 31, 2019.

Broadstone Real Estate Access Fund (BDREX or the fund) is a continuously offered, closed-end interval fund registered under the Investment Company Act of 1940 that deploys investor capital into a diversified pool of actively managed real estate holdings. BDREX offers investors exposure to direct real estate investments in commercial real estate properties, private real estate funds and public real estate equities. In turn, investors may benefit from the access and diversification afforded by the fund, along with quarterly liquidity and daily pricing features.

For additional information, please contact:
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THINGS TO NOTE

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 CONTACT YOUR FINANCIAL ADVISER OR VISIT BDREX.COM. THE PROSPECTUS SHOULD BE READ CAREFULLY BEFORE INVESTING.

All investments are subject to risk including the loss of principal. The Fund's shares will not be listed on an exchange, and it is not anticipated that a secondary market will develop. The Fund is new and has a limited operating history. The Fund may not be suitable for investors that require liquidity other than through the Fund's repurchase policy.

BDREX is "non-diversified" under the Investment Company Act of 1940. Changes in the market value of a single holding may cause greater fluctuation in the Fund's net asset value than in a "diversified" fund. The Fund is not intended as a complete investment program but instead as a way to help investors diversify into real estate.

The investment sub-adviser may also engage in certain "covered call option strategies" involving baskets of REITs, real estate-related securities, ETFs, or indexes owned by the Fund. A covered call option strategy is a strategy in which the owner of the underlying stock or stock index sells (or "writes") the option to the purchaser of the call option and is required to deliver the underlying stock or stock index to the purchaser if the option is exercised in exchange for an upfront payment, or "premium." The risk associated with covered calls is that the option seller must continue to hold the underlying stock or stock index for the duration of the option and may forego any share price appreciation above the option strike price.

Broadstone Real Estate Access Fund (BDREX) is distributed by ALPS Distributors, Inc. (ALPS). ALPS is not affiliated with BDREX, Broadstone Real Estate, LLC, or Heitman Real Estate Securities LLC.