



Private Real Estate Has the Potential to Help Investors Weather a Bear Market

After an 11-year bull-market run, the global Coronavirus pandemic has created extreme economic uncertainty.¹ With so much volatility in the marketplace, investors are looking for ways to better diversify their portfolios. Private real estate has historically delivered low volatility and strong diversification benefits.² Additionally, over the last 40 years, only two out of the last five major recessions have corresponded to downturns in commercial property values.³ Thus, private real estate is potentially durable enough to ride out market downturns.

Benefits of Private Real Estate: Low Correlation and Low Volatility²

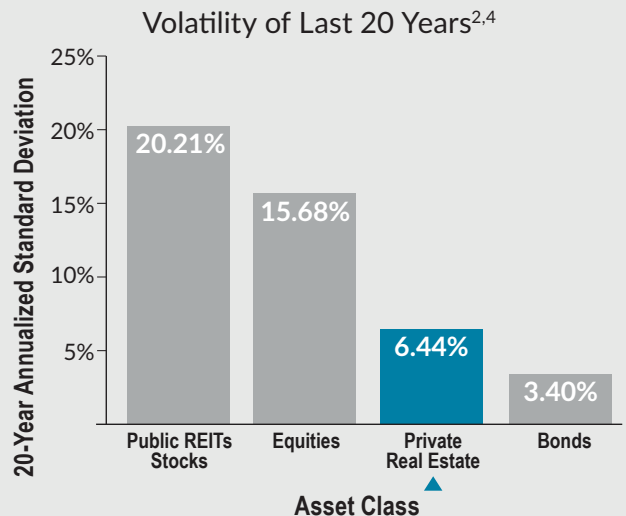
Over the last 20 years, private real estate has exhibited historically low or negative correlation to equities, bonds and publicly traded real estate investment trusts (public REITs),^{2,4} meaning private real estate is less influenced by market volatility. The physical assets that comprise an investment in private real estate are typically valued at certain intervals (such as monthly) based on property type, location, tenants' creditworthiness, etc. Private real estate investments, unlike public REITs which are traded on an exchange, are not assessed based on a perceived value and are typically not affected by daily fluctuations in the stock market. Private real estate's low correlation to other asset classes underscores the diversification benefit available to investors.

Private Real Estate is Less Influenced by Market Volatility Than Other Major Asset Classes^{2,6}

20-Year Correlation Based on Quarterly Returns

	Private Real Estate	Equities	Bonds	Public REITs
Private Real Estate	1.00	0.14	-0.16	0.18
Equities		1.00	-0.35	0.65
Bonds			1.00	0.07
Public REITs				1.00

Private Real Estate has Historically Shown Lower Volatility Than Equities and Public REITs

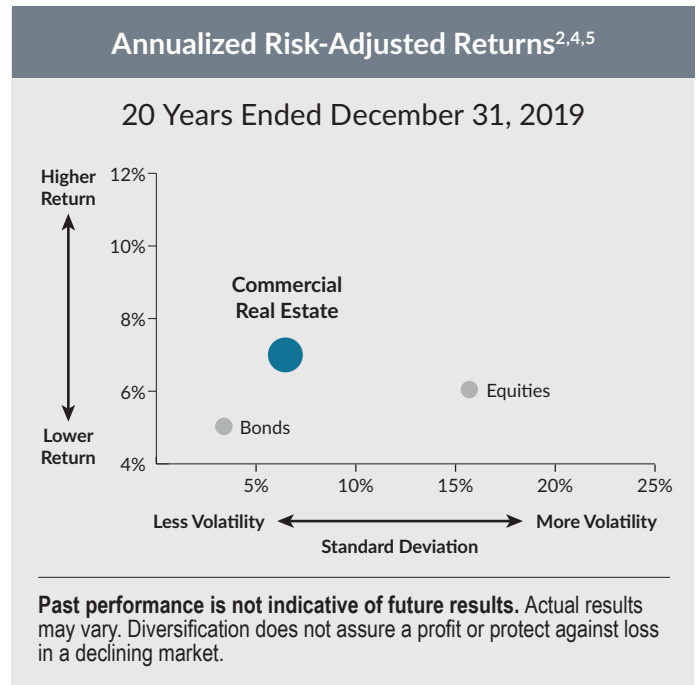


Private Real Estate Has Historically Delivered Strong Risk-Adjusted Returns

A portfolio inclusive of private real estate has historically generated better risk-adjusted returns – or returns relative to the investment’s level of risk.^{2,5} Private real estate has delivered lower volatility, while providing higher annualized returns⁵ than equities and bonds, making its risk-adjusted returns historically more favorable than other asset classes.^{2,4}

Private real estate’s risk-adjusted returns are more favorable to equities and bonds

Private real estate’s average risk-adjusted returns have been the highest over the last four decades compared to that of equities and bonds, demonstrating its ability to outperform through various market cycles.⁷



Private Real Estate: A Key Component of a Diversified Portfolio

Given private real estate’s typically lower volatility and low correlation to equities and bonds and higher risk-adjusted returns, we believe it should have a place alongside equities, bonds and public REITs in a diversified investment portfolio.

Black Creek Group, LLC (Black Creek Group) is a leading real estate investment management firm that has bought or built over \$20 billion of investments throughout its more than 25-year history.⁸ The firm manages diverse investment offerings across the spectrum of commercial real estate – including office, industrial, retail and multifamily – providing a range of investment solutions for both institutional and wealth management channels. Black Creek Group has seven offices across the United States with approximately 300 professionals. More information is available at blackcreekgroup.com.

Learn more at blackcreekgroup.com.



¹ The recent global outbreak of COVID-19 (more commonly known as the Coronavirus) has disrupted economic markets and the prolonged economic impact is uncertain. Some economists and major investment banks have expressed concern that the continued spread of the virus globally could lead to a world-wide economic downturn. Customers and potential customers of the properties owned by real estate investment trusts sponsored by Black Creek Group or its affiliates (each a Black Creek Group REIT) operate in industries which could be adversely affected by the disruption to business caused by the global outbreak of the Coronavirus. This could lead to adverse impacts on the business of Black Creek Group REITs.

² Source: Bloomberg, NCREIF and NAREIT. 20 years ended December 31, 2019. An investment in a Black Creek Group REIT is not a direct investment in commercial real estate, but rather an investment in a REIT that owns commercial real estate. Although a Black Creek Group REIT's stock price is subject to less volatility, a Black Creek Group REIT's shares may be significantly less liquid than shares of publicly traded securities, and are not immune to fluctuations, including downward fluctuations. The value of a Black Creek Group REIT's underlying property holdings will fluctuate and be worth more or less than the acquisition cost when sold. Investors are advised to consider the limitations on liquidity of Black Creek Group REIT shares when also evaluating the volatility of a Black Creek Group REIT's stock price as compared to that of the stock prices of publicly traded securities.

³ Sources: National Bureau of Economic Research and NCREIF Property Index (NPI), December 2019. NPI is a quarterly, unleveraged composite total return for commercial real estate properties held for investment purposes only.

⁴ Private real estate is represented by the NCREIF Open-End Diversified Core (ODCE) Index, an equal weighted, time weighted index representing a blended portfolio of institutional-quality real estate funds reported net of management and advisory fees (with the exception of the private real estate income data shown, which is reported gross of management and advisory fees). The term core typically reflects lower risk investment strategies, utilizing low leverage and generally represented by equity ownership positions in stable U.S. operating properties. Funds are weighted equally, regardless of size. While funds used in this index have characteristics that differ from net asset value (NAV) REITs (including differing management fees), Black Creek Group's management feels that the NCREIF ODCE Index is an appropriate and accepted index for the purpose of evaluating returns on investments in NAV REITs. Public real estate is represented by the FTSE NAREIT All Equity REITs Index, which is a free-float adjusted, market capitalization-weighted index of publicly traded U.S. Equity REITs. Constituents of the index include all tax-qualified publicly traded REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property. Equities are represented by the S&P 500 Index, an unmanaged index of the 500 largest stocks (in terms of market value), weighted by market capitalization and considered representative of the broader stock market. Bonds are represented by the Bloomberg Barclays US Aggregate Bond Index, an index of securities that are SEC-registered, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. Bond income return is represented by the yield to worst of Bloomberg Barclays US Aggregate Bond Index. Public real estate, bonds and equities provide ready liquidity and are easily traded. An investment in private real estate differs from the FTSE NAREIT All Equity REITs Index in that private real estate investments are not publicly traded U.S. Equity REITs; differs from the Bloomberg Barclays US Aggregate Bond Index in that private real estate investments are not fixed-rate debt instruments; and differs from the S&P 500 in that private real estate investments are not large-cap stocks.

These indices are used in comparison to the NCREIF ODCE Index in order to illustrate the differences in historical total returns generated by private real estate, stocks and bonds. The prices of securities represented by these indices may change in response to factors including: the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates and investor perceptions. All indices are unmanaged and do not include the impact of fees and expenses. An investment cannot be made directly in any index. The returns presented are not indicative of returns to be attained by a Black Creek Group REIT. The Black Creek Group REITs do not trade on a national securities exchange, and therefore, are generally illiquid. Early redemption of non-traded REIT shares is often very limited, and fees associated with the sale of these products can be higher than other asset classes. In some cases, periodic distributions may be subsidized by borrowed funds and include a return of investor principal. This is in contrast to the distributions investors receive from large corporate stocks that trade on national exchanges, which are typically derived solely from earnings. Investors typically seek income from non-traded REIT distributions over a period of years. Upon liquidation, return of capital may be more or less than the original investment depending on the value of assets.

Black Creek Group REITs have the ability to utilize higher leverage than is allowed for the funds in the NCREIF ODCE Index, which could increase the non-traded REIT's volatility relative to the Index. Total returns presented are as of 12/31/2019 and assume reinvestment of distributions. Private real estate return: 7.01%; risk: 6.44%. Equities return: 6.05%; risk: 15.680%. Bonds return: 5.03%; risk: 3.40%. Public REITs return: 11.59%; risk: 20.21%. Sharpe Ratios — Private real estate 0.83; Equities: 0.28; Bonds: 0.98; Public REITs: 0.49. The Sharpe ratio is calculated by subtracting the risk-free rate — such as that of the 3-Month Treasury Bill — from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.

⁵ The amount of distributions a Black Creek Group REIT may make is uncertain, is not guaranteed, may be modified at the program's discretion, and is subject to board approval. Black Creek Group REITs may pay distributions from sources other than cash flow from operations including, without limitation, the sale of assets, borrowings or offering proceeds (including the return of principal amounts invested). The use of these sources for distributions would decrease the amount of cash a Black Creek Group REIT has available for new investments, repayment of debt, share redemptions and other corporate purposes, and could potentially reduce your overall return and dilute the value of your investment in shares of a Black Creek Group REIT's common stock. Because borrowed funds were used to pay distributions, the distribution rate may not be sustainable.

⁶ Correlation measures how one investment performs in relation to another, with a coefficient of +1 being a perfect, positive correlation and a coefficient of -1 being a perfect, negative correlation. When two asset classes have a correlation of +1, they will both move up or down by the same amount in the same direction. Conversely, a correlation of -1 indicates that when one asset class moves up or down, the other moves in the opposite direction by the same amount. In general, asset classes with a correlation less than 0.70 or greater than -0.70 are considered to have relatively low correlation. Research indicates that private real estate has a relatively low correlation with other asset classes and may help reduce the volatility of a stock-and-bond portfolio. The NCREIF ODCE Index is subject to less volatility because its value is based on commercial real estate properties and not subject to market pricing forces. Volatility is measured by historical standard deviation, which is derived from historical returns. Lower volatility could result in lower returns during certain periods of time. There are many material differences among these asset classes, including differences in fees and expenses, liquidity, safety and tax features.

⁷ Sources: Bloomberg, Morningstar, NCREIF and CoStar Portfolio Strategy. As of December 31, 2019.

⁸ As of December 31, 2019.

