

Portfolio Management: Market Commentary

JANUARY 2023

Portfolio Review

The Bluerock Total Income+ Real Estate Fund (“TI+” or “Fund”) continues to target institutional real estate sectors with strong demographic tailwinds similar to those identified in 2022. The Fund remains overweight the industrial, multifamily, life science, and specialty sectors* relative to the institutional private real estate index (NCREIF ODCE). We have continued to adjust and dynamically manage the portfolio based on our high-conviction investment themes with a focus on owning high quality, differentiated assets with strong prospects for growing net operating income.

For the industrial sector, we continue to see demand far outstripping the supply of industrial space. Based on forecasts from Green Street, a prominent independent real estate research and advisory firm, vacancy rates are projected to remain historically low through 2027 (even accounting for new supply), and rents are projected to grow by 6% annually from 2023-2027, well above long-term historical averages, with 2023 rental growth rates substantially in excess of the forecasted 5-year average.¹

For the multifamily/residential sector, we continue to see strong demand across the U.S., particularly in the Sunbelt region and select coastal markets, driven by strong labor markets, favorable business climates, lower costs of living, and robust local economies, which have grown faster than U.S. Gross Domestic Product (GDP). Furthermore, homeownership affordability is at record lows with monthly mortgage costs about \$1,000 above monthly rent. Because of these favorable conditions, Axiometrics, a leading provider of multifamily data, projects 20% cumulative rent growth nationwide by mid-2028.

For the life science sector, we also expect strong revenue and net operating income (NOI) growth given the limited supply of dedicated life science space relative to current demand and the significant barriers to entry for the asset class. Green Street projects annualized NOI growth of approximately 5% through 2026.²

The specialty sector includes real estate that is not categorized in the previously mentioned sectors, such as medical office, manufactured homes, data centers, student housing, and self-storage, among others. These sectors tend not to be directly linked to GDP cycles (i.e. not dependent on GDP growth) and may deliver income and value appreciation regardless of recessionary or expansionary cycles. For example, medical office and student housing occupancy rates have historically remained high through recessions as these tenant populations are less sensitive to GDP. The Fund’s portfolio management team has been increasing its focus on investments in the specialty sectors over the past few years given these attractive attributes.

Overall, the Fund continues to focus on high-quality, in-demand real estate and has positioned the portfolio to take advantage of intermediate and long-term demand drivers and growth megatrends that we believe will increase future value, while being cognizant of short-term uncertainty. Through active management, we continue to see attractive opportunities in the market and pursue those that we believe may outpace the broader market.

*Self-storage, medical office, manufactured housing, student housing, single-family residential, senior housing, data centers, and media properties.

¹ Source: Green Street Industrial Insights, January 2023

² Source: Green Street, Life Science Sector, June 23, 2022

Market Commentary

Consistent with other asset classes, the private real estate market has been adjusting to the broader, higher-interest rate economic environment, and has done so more significantly in Q4 and the start of Q1. Generally speaking, valuations have incorporated higher interest rates, and the market has generally accepted that higher rates are more structural. Accordingly, real estate valuations have incorporated this shift, leading to increased discount rates, entry cap rates, and exit cap rates. However, while cap rates have increased to create a market premium of real estate returns over and above the riskless rate (generally that of 10-year treasuries), substantial NOI growth in our high conviction sectors provides a notable positive offset. Further, major headwinds that have dramatically impacted real estate values in previous cycles do not exist today; namely, overleverage, over-supply and high unemployment.

Finally, we believe the current price dislocation is predominantly priced in as we have seen the 10-year treasury rate decline by approximately 16.5% from a high of around 4.25% to 3.55% from October 20, 2022 through January 30, 2023. When evaluating real estate prices and market fundamentals, we believe the Fund has absorbed the majority of the interest rate impact, which has been reflected in the Fund's NAV, as of January 31, 2023.³

Outlook

Historically, real assets, including institutional private real estate, have performed well during inflationary periods, while conversely, financial assets such as stocks have not. Accordingly, we have a bullish outlook for TI+ as real estate fundamentals remain strong:

- NOI continues to increase across the Fund's overweight sectors;
- Low vacancy rates persist and are driven by excess demand, as near record-high construction costs are limiting new supply; and
- On the financing side, balance sheets remain well-positioned with minimal excess leverage or solvency concerns.

NOI and rent growth, key drivers of higher future values, have historically been highest during inflationary environments and continue to be robust within the Fund's investments. We are confident that interest rates will stabilize and that NOI increases will boost the value of the underlying real estate in the portfolio, and that our strategic overweight sectors in particular, will be a larger beneficiary. Additionally, as rates stabilize, higher inflation may be "sticky" and persist over time, even if it is gradually decreasing (e.g., 3-4% inflation is still high), and may continue to drive NOI growth and valuations higher.

We believe TI+ is strongly positioned with 90%+ of the underlying portfolio invested in industrial, residential, life science, and other specialty sectors. Institutional private real estate remains an asset class with attractive qualities for long-term allocations: meaningful income generation, reduced impact of rising rates, lower volatility than stock and bond markets, and inflation protection.



A handwritten signature in black ink, appearing to read 'Adam Lotterman'.

Adam Lotterman
Co-Chief Investment Officer and
Senior Portfolio Manager
Bluerock Total Income+ Real Estate Fund



A handwritten signature in black ink, appearing to read 'Jordan Ruddy'.

Jordan Ruddy
Co-Chief Investment Officer
and Portfolio Manager
Bluerock Total Income+ Real Estate Fund

³ Source: fred.stlouisfed.org, U.S. 10-Year Treasury.

TI+ Fund Class A and I-Share Net Performance

	PERFORMANCE THROUGH 12.31.2022			
	1-YEAR	3-YEAR	5-YEAR	ANNUALIZED SINCE INCEPTION ⁴
TI+ Fund Class A	9.84%	10.63%	9.26%	8.71%
TI+ Class A with Max Sales Charge ⁵	3.51%	8.47%	7.97%	8.08%
TI+ Fund Class I	10.14%	10.92%	9.53%	8.61%

Returns presented are total net return: expressed in percentage terms, the calculation of total return is determined by taking the change in price, reinvesting, if applicable, all income and capital gains distributions during the period, and dividing by the starting price. Returns greater than one year are annualized. A fund's performance, especially for very short periods of time, should not be the sole factor in making your investment decisions.

⁴ Inception date of the TI+ Fund Class A share is October 22, 2012 and Class I share is April 1, 2014.

⁵ The maximum sales charge for the Class A shares is 5.75%. Investors may be eligible for a waiver or a reduction in the sales charge.

The performance data quoted here represents past performance. Current performance may be lower or higher than the performance data quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. For performance information current to the most recent month end, please call toll-free 1-888-459-1059. Past performance is no guarantee of future results.

The total annual fund operating expense ratio, gross of any fee waivers or expense reimbursements, is 2.09% for Class A and 1.83% for Class I. The Fund's investment advisor has contractually agreed to reduce its fees and/or absorb expenses of the fund, at least until January 31, 2023 for Class A and I shares, to ensure that the net annual fund operating expenses will not exceed 1.95% for Class A and 1.70% for Class I, per annum of the Fund's average daily net assets attributable to Class A and Class I shares, respectively, subject to possible recoupment from the Fund in future years. Please review the Fund's Prospectus for more detail on the expense waiver. Fund performance and distributions are presented net of fees.

Definitions

Discount Rate: The discount rate is a real estate metric that represents an investor's required rate of return on an investment and is used to measure the current value of future cash flows from a property.

Cap Rate: The capitalization rate (also known as cap rate) is calculated by dividing a property's net operating income by the current market value and is used as an estimation of an investor's potential return on a real estate investment.

NCREIF ODCE: The NFI-ODCE, short for NCREIF Fund Index - Open End Diversified Core Equity, is the first of the NCREIF Fund Database products and is an index of investment returns reporting on both a historical and current basis the results of 38 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

Gross Domestic Product (GDP): A comprehensive measure of U.S. economic activity. GDP measures the value of the final goods and services produced in the United States.

About Bluerock Total Income+ Real Estate Fund

The Bluerock Total Income+ Real Estate Fund offers individual investors access to a portfolio of institutional real estate securities managed by top-ranked fund managers. The Fund seeks to provide a comprehensive real estate holding designed to provide a combination of current income, capital preservation, long-term capital appreciation and enhanced portfolio diversification with low to moderate volatility and low correlation to the broader equity and fixed income markets. The Fund utilizes an exclusive partnership with Mercer Investment Management, Inc., the world's leading advisor to endowments, pension funds, sovereign wealth funds and family offices globally, with over 12,000 clients worldwide, and over \$16.8 trillion in assets under advisement.

The Bluerock Total Income+ Real Estate Fund is a closed-end interval fund that invests the majority of its assets in institutional private equity real estate securities that are generally available only to institutional investors capable of meeting the multi-million dollar minimum investment criteria. Net assets under management for TI+ are approximately \$7.0 billion as of December 31, 2022. As of Q4 2022, the value of the underlying real estate held by the securities in which the Fund is invested is approximately \$394 billion, including investments managed by Ares, Blackstone, Morgan Stanley, Principal, Prudential, Clarion Partners, Invesco and RREEF, among others. The minimum investment in the Fund is \$2,500 (\$1,000 for retirement plans) for Class A, C, and L shares and \$1,000,000 for the Class I.

Risk Disclosures

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

An investment in any share class of the Fund represents an investment in the same assets of the Fund. However, the purchase restrictions and ongoing fees and expenses for each share class are different - See “Summary of Fund Expenses” – located in the Fund’s prospectus. If an investor has hired an intermediary and is eligible to invest in more than one class of shares, the intermediary may help determine which share class is appropriate for that investor. When selecting a share class, you should consider which Share classes are available to you, how much you intend to invest, how long you expect to own shares, and the total costs and expenses associated with a particular share class. You should speak with your financial advisor to help you decide which share class is best for you.

The ability of the Fund to achieve its investment objective depends, in part, on the ability of the Advisor to allocate effectively the Fund’s assets across the various asset classes in which it invests and to select investments in each such asset class. There can be no assurance that the actual allocations will be effective in achieving the Fund’s investment objective or delivering positive returns.

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. Since inception, the Fund has made 40 repurchase offers, of which 35 have resulted in the repurchase of all shares tendered, four have resulted in the repurchase of less than all shares tendered, and one is pending. In connection with the November 2022 repurchase offer, the Fund repurchased all shares tendered for repurchase. Quarterly repurchases by the Fund of its shares typically will be funded from available cash or sales of portfolio securities. The sale of securities to fund repurchases could reduce the market price of those securities, which in turn would reduce the Fund’s net asset value.

An investment in shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The Fund is “non-diversified” under the Investment Company Act of 1940 and therefore may invest more than 5% of its total assets in the securities of one or more issuers. As such, changes in the financial condition or market value of a single issuer may cause a greater fluctuation in the Fund’s net asset value than in a “diversified” fund. The Fund is not intended to be a complete investment program.

The Fund is subject to the risk that geopolitical and other similar events will disrupt the economy on a national or global level. For instance, war, terrorism, market manipulation, government defaults, government shutdowns, political changes or diplomatic developments, public health emergencies (such as the spread of infectious diseases, pandemics and epidemics) and natural/environmental disasters can all negatively impact the securities markets.

The current novel coronavirus (COVID-19) global pandemic and the aggressive responses taken by many governments, including closing borders, restricting international and domestic travel, and the imposition of prolonged quarantines or similar restrictions, as well as the forced or voluntary closure of, or operational changes to, many retail and other businesses, have had negative impacts, and in many cases severe negative impacts, on markets worldwide. Potential impacts on the real estate market may include lower occupancy rates, decreased lease payments, defaults and foreclosures, among other consequences. It is not known how long such impacts, or any future impacts of other significant events described above, will or would last, but there could be a prolonged period of global economic slowdown.

The Fund will concentrate its investments in real estate industry securities. The value of the Fund’s shares will be affected by factors affecting the value of real estate and the earnings of companies engaged in the real estate industry. These factors include, among others: (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; (ix) climate change; and (x) changes in interest rates. Many real estate companies utilize leverage, which increases investment risk and could adversely affect a company’s operations and market value in periods of rising interest rates. The value of securities of companies in the real estate industry may go through cycles of relative under-performance and over-performance in comparison to equity securities markets in general.

A significant portion of the Fund’s underlying investments are in private real estate investment funds managed by institutional investment managers (“Institutional Investment Funds”). Investments in Institutional Investment Funds pose specific risks, including: such investments require the Fund to bear a pro rata share of the vehicles’ expenses, including management and performance fees; the Advisor and Sub-Advisor will have no control over investment decisions may by such vehicle; such vehicle may utilize financial leverage; such investments have limited liquidity; the valuation of such investment as of a specific date may vary from the actual sale price that may be obtained if such investment were sold to a third party.

Additional risks related to an investment in the Fund are set forth in the “Risk Factors” section of the prospectus, which include, but are not limited to the following: convertible securities risk; correlation risk; credit risk; fixed income risk; leverage risk; risk of competition between underlying funds; and preferred securities risk.

The Bluerock Total Income+ Real Estate Fund is distributed by ALPS Distributors, Inc (ALPS). Bluerock Fund Advisor, LLC is not affiliated with ALPS.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Bluerock Total Income+ Real Estate Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained online at bluerock.com/ti-fund/documents. The prospectus should be read carefully before investing.

