USQ Core Real Estate Fund

Quarterly Market Review
2Q 2022

The 2nd quarter of 2022 proved to be very difficult for both equity and fixed income investors. The S&P 500 posted a negative return of -16.10% for the quarter and is down over -20% for the year. Fixed income returns were also negative posting a return of -4.69% (Bloomberg Barclays U.S. Agg. Bond Index TR). This is one of the few times in history in which fixed income returns are down substantially alongside equity returns, offering investors almost nowhere to hide. Publicly traded REITs (as measured by the MSCI US Real Estate Index NR) moved in line with the broad markets, as they typically do in periods of volatility, posting a negative -17.16% return. Core private real (as measured by the NFI-ODCE NR) had another strong quarter with a positive 4.58% return. The resilience of core private real estate returns cannot be overlooked in times such as these. Diversifying into other asset classes, especially private markets, should be considered as the public markets are likely to see continued volatility from geo-political risks and a Federal Reserve that is caught in a position where it must continue to increase interest rates.

Heading into this quarter, investors expected the Federal Reserve was going to raise interest rates in an effort to curb inflation. However, what caught both the Federal Reserve and investors off guard, was the persistence of the inflationary pressure the U.S. is facing. May's Consumer Price Index (CPI) was 8.6% y-o-y, above expectations and partially the reason the Fed moved interest rates by 0.75%, one of the largest increases in decades. Some of the inflation has certainly been caused by fiscal stimulus and supply chain disruptions. We expect this pressure to ease moving forward, and some of the economic numbers are starting to reflect this, with many believing inflation has peaked. While economic momentum has started to stall, the employment situation in the U.S. remains strong with the unemployment rate holding at 3.6% in May. Employment, and more specifically employment growth which is a main driver of demand for commercial real estate, has generally remained strong through the first half of 2022.

Speaking of commercial real estate, we continue to believe the asset class remains well-positioned in the current environment. The increase in rents over the past year has contributed to strong appreciation which more than offset any valuation declines from higher cap rates. 10-yr. U.S. Treasury yields moved aggressively closing at a high of 3.49% in the middle of June, which generated questions about the future of cap rates. While we have seen some slight movements in cap rates, valuations have remained stable across property types, largely due to the rent growth previously mentioned. By early July, the 10-yr Treasury yield was down to 2.81%. This is a reminder of how quickly rates can move and why making long-term investment decisions based on short-term moves in interest rates is not prudent. We expect rates to stabilize as soon as there is definitive data suggesting inflation is trending down. It is also important to remember that through most economic environments, private core real estate has generally delivered consistent returns – the exception being when commercial real estate markets are over levered and over supplied, neither of which is present today. As such, high quality commercial real estate, which is the hallmark of NFI-ODCE index in which the Fund invests, remains in high demand. **Below is a brief summary by property type:**

INDUSTRIAL properties once again drove returns for the quarter. Cap rates largely remained stable, and we saw strong continued rent growth. Additionally, the demand in the best markets across the U.S. continues to exceed supply.

MULTI-FAMILY also saw strong appreciation, albeit at a more moderate level. Increases in financing rates have slowed demand in the markets. However, strong rent growth continued and is likely to persist given the low supply in single family homes.

OFFICE properties largely remained flat over the quarter. We are seeing increased leasing activity within certain markets. Furthermore, many companies continue to implement return to office plans as the impact of Covid-19 continues to fade.

RETAIL properties continue experience meaningful increases in net operating income (NOI). Grocery anchored and necessity based continue to perform well, and experience based Class-A retail has benefited as the economy has now fully reopened.

SPECIALTY: We continue to see strong demand from institutional investors for more specialty type property sectors such as self-storage and single-family residential. While these sectors represent a small portion of the NFI-ODCE, the returns have been very strong and added to the strong overall performance.

WHY IS AMAZON SUBLETTING WAREHOUSE SPACE?

Since the announcement that Amazon would be subletting select warehouse space, we've been asked whether industrial demand is finally starting to cool. First, it should be noted that Amazon is subletting their older, less technology enhanced warehouses. Second, even with this announcement, it has almost no impact on market vacancy rates. Therefore, while demand may in fact moderate moving forward, the fundamentals remain strong and we believe that the announcement from Amazon should have little impact on the industrial market.

USQ Core Real Estate Fund

Union Square Capital

Quarterly Market Review
2Q 2022

Fund Facts

	Ticker	CUSIP	Inception Date	Investment Minimum*	12b-1 Fee	Net Expense Ratio
Class I Shares	USQIX	90351Y101	9/27/2017	$25,000	None	0.95%

Class I gross expenses are 1.35% and net expenses are 0.95%. Net fees are based on a contractual fee waiver and reimbursement agreement that will continue indefinitely until terminated by mutual agreement of the Adviser and the Fund, including consent of the Fund's Board.

Definitions:

Cap rate represents the rate of return on based on the income that the property is expected to generate.

Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged market value-weighted index for U.S. dollar denominated investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year.

MSCI US REIT Index is a free float-adjusted market capitalization index that is comprised of equity REITs. With 132 constituents, it represents about 99% of the US REIT universe and securities are classified in the Equity REITs Industry (under the Real Estate sector) according to the Global Industry Classification Standard (GICS®). It however excludes Mortgage REIT and selected Specialized REITs.

NCREIF Fund Index — Open-end Diversified Core Equity (NFI-ODCE) consists of private real estate equity funds that meet certain criteria with respect to such things as leverage (less than 35%), operations (at least 75% invested in properties that are 75% or more leased), sector and geographic diversification, and investment in core real estate (at least 75% in office, industrial, apartment and retail properties)..

S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

Past Performance is no guarantee of future results. One cannot invest directly in an index.

Risk Disclosures

Investing in the Fund's shares involves substantial risks, including the risks set forth in the "Risk Factors" section of this prospectus, which include, but are not limited to the following: Investing in real estate entails special risks, including (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 and (ix) changes in interest rates and leverage. There are also special risks associated with particular real estate sectors, or real estate operations generally. The Fund is not intended to be a complete investment program, but instead as a way to help investors diversify into real estate. Diversification does not ensure a profit or guarantee against a loss. There currently is no secondary market for the Fund's shares and the Adviser does not expect that a secondary market will develop. 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.

By investing in the Fund, a shareholder will not be deemed to be an investor in any underlying fund in which the Fund invests and will not have the ability to exercise any rights attributable to an investor in any such underlying fund.

Before investing in the Fund, you should carefully consider the Fund's investment objectives, risks, fees and expenses. For a copy of a prospectus which contains this and other information, please visit our website at www.usqfunds.com or call 1-833-USQ-FUND [1-833-877-3863]. Please read the Fund's prospectus carefully before investing.

The USQ Core Real Estate Fund is a continuously-offered, non-diversified, registred closed-end fund with limited liquidity.

The USQ Core Real Estate Fund is distributed by Quasar Distributors LLC.