CC | Real Estate INCOME FUND

A CLOSER LOOK AT COMMERCIAL MORTGAGE BACKED SECURITIES

An asset class that may add value and diversification.

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FOR MORE INFORMATION

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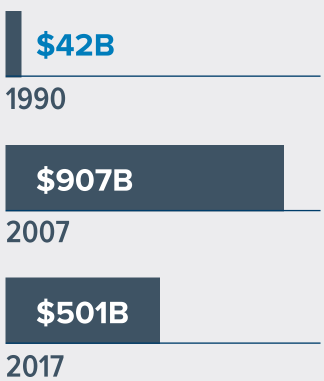
Master-Feeder Structure: CCREI* is an unlisted, closed-end fund that intends to invest primarily in a diversified portfolio of CRE and real estate-related investments including CRE debt, CRE securities and CRE equity. *CC Real Estate Income Master Fund (CCREI) is a master fund in a master/feeder structure, which pools investor capital raised through its feeder funds, CC Real Estate Income Fund, CC Real Estate Income Fund-T, CC Real Estate Income Fund-ADV and CC Real Estate Income Fund-C (each a Fund, and together the Funds). Each Fund invests substantially all of its assets in CCREI. **Investors in a Fund are purchasing shares of a feeder fund, not CCREI.** The investment results of each of the Funds are directly dependent on the investment results of CCREI, which seeks to execute the investment strategies described in each Fund's prospectus.

Commercial mortgage backed securities (CMBS), a type of mortgage-backed security collateralized by CRE loans, emerged in the early 1990s and have grown to become a global asset class, connecting public fixed income and real estate capital markets.

CMBS UNIVERSE



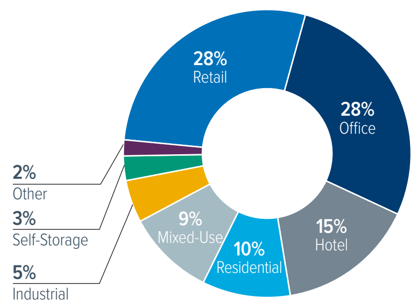
Sources: Trepp, as of November 2017, and Commercial Mortgage Securities Association, July 2007.

What is CMBS?

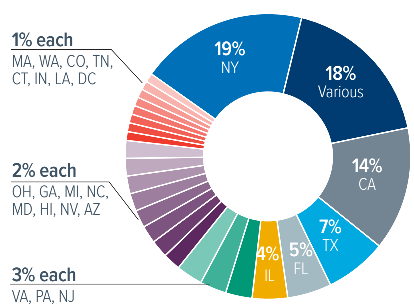
CMBS is structured to allow lenders to sell the interest and principal payments of senior mortgage loans to investors, providing increased liquidity and allowing lenders to reinvest capital. They are a critical component of the commercial real estate (CRE) financing landscape, representing more than a fifth of all real estate lending since 2007.[1]

Diversified across various property types and geographies,[2] CMBS may play an invaluable role in expanding available CRE debt to high-quality assets in U.S. markets.

DIVERSIFICATION BY PROPERTY TYPE



DIVERSIFICATION BY GEOGRAPHIC LOCATION



Sources: Trepp, November 2017. Based on the entire CMBS universe

For many investors, CMBS is often viewed as an overly-complex investment strategy due to their securitized structure and increased regulation following the financial crisis. This report intends to break down the perceived complexity of CMBS by explaining how CMBS bonds work, why they may deliver risk-adjusted spread premiums and the potential benefits of including CMBS in a diversified portfolio.

1) Real Capital Analytics (RCA) U.S. Capital Trends, February 2017. 2) Trepp, as of November 2017.

How CMBS Work?

Simply put, CMBS represent securities backed by pools of CRE first mortgages. Those pools are divided into separate layers, or tranches, based on risk, allowing investors to purchase fixed and floating rate bonds within a tranche that matches their investment strategy.

This structure, known as a conduit CMBS, is the most common type of CMBS and accounts for half of all U.S. issuance.[3]

TYPICAL PROCESS OF CREATING A CMBS CONDUIT

LOANS TRANSFERRED TO TRUST

A group of commercial mortgage loans of varying size, property type and location are grouped into a pool and transferred into a trust. CMBS is typically collateralized by 35-60* senior mortgages secured by stabilized, income-producing properties.

TRUST ISSUES BONDS

The trust issues a series of bonds that vary in yield, duration and payment priority. The trust is typically a holding entity known as a Real Estate Mortgage Investment Conduit (REMIC).

BONDS RATED

Rating agencies assign credit ratings to the different bonds (or tranches) based on their risk profiles.

INVESTORS CHOOSE BONDS

Investors, including pension funds, insurance companies, money managers, mutual funds and commercial banks, choose which CMBS bonds to purchase based on the level of credit risk, yield and duration they seek.

Sources: CREFC CMBS Overview July 2007. *Commercial Mortgage Alert, U.S. CMBS conduit deals as of November 2017.

3) Commercial Mortgage Alert, U.S. CMBS issuance for the nine months ending September 30, 2017.

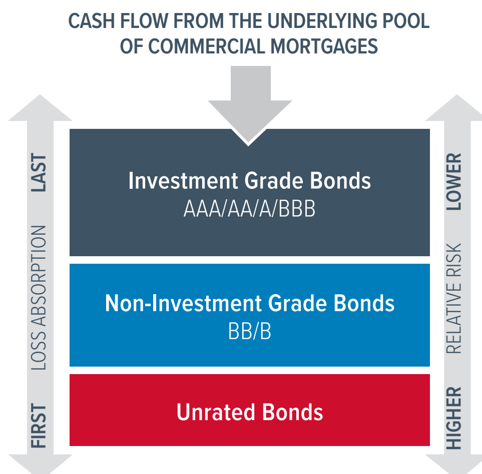
How Do Investors Get Paid?

An investor chooses which tranche to purchase within a CMBS bond based on their desired level of risk, or more specifically, the relative priority for receiving interest and principal payments.

Cash flow from the underlying pool of commercial mortgages is used to service interest payments and repay principal on the CMBS bond, starting with payments to the highest rated bonds first. The sequential interest and principal payment schedule is called a bond waterfall. The waterfall is structured so that the more senior tranches take the lowest credit risk and receive interest and principal payments ahead of junior, or higher credit risk, tranches.

Likewise, in the event of collateral losses, the most junior, or higher credit risk, tranches take the first loss. However, in return for the higher risk, the junior tranches may yield a higher return.

CMBS BOND WATERFALL



Sources: CREFC Investing in U.S. CRE Debt Products, 2016. This is for illustrative purposes only, showing the basic structure of a CMBS bond waterfall. As with any investment, a more detailed review could reveal other complexities.

Ratings shown are the highest rating given by one of the following national rating agencies: S&P, Moody's or Fitch. Additional information about ratings can be found, respectively, at www.standardandpoors.com, www.moodys.com and www.fitchratings.com. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings categories used by S&P and Fitch; BB, B, CCC/CC/C and D are below investment grade ratings categories used by S&P and Fitch. Aaa, Aa, A and Baa are investment grade ratings categories used by Moody's; Ba, B, Caa/Ca and C are below investment grade ratings categories used by Moody's. Unrated bonds are not rated by these national rating agencies.

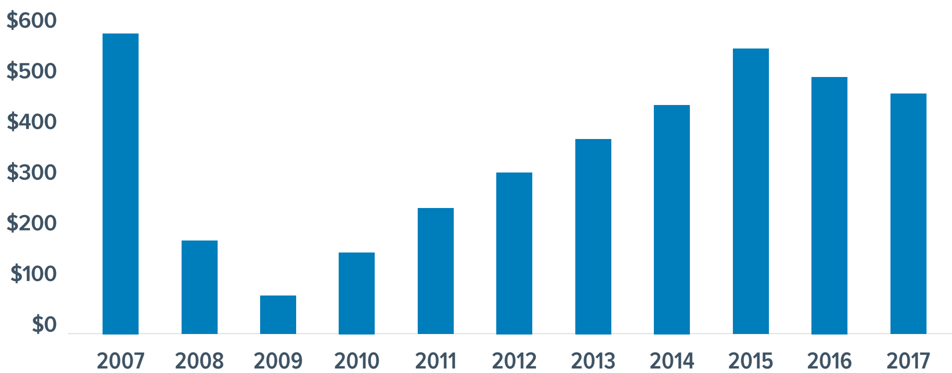
The CMBS Opportunity

At the height of the credit boom in 2007, CMBS issuance in the United States topped more than $206 billion. Today, that figure is around $86 billion,[4] likely as a result of more conservative underwriting and increased regulation.

The lower CMBS volumes have not coincided with a drop with demand for CRE investments.[5] The market for U.S. properties and commercial mortgages remains strong and underlying CRE fundamentals, not least the supply of new product, remains relatively stable.

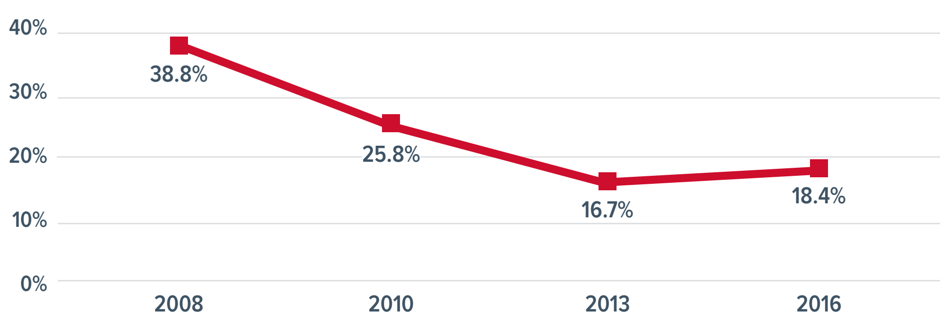
Delinquency rates have also continued to decline from their post-crisis peak.[6] That reality means that CMBS may provide investors with a compelling risk-adjusted investment strategy.

U.S. PROPERTY TRANSACTIONS REMAIN STRONG ($ IN BILLIONS)



Source: RCA U.S. Capital Trends, January 2018.

DECLINING CONSTRUCTION FINANCING HELPS KEEP CRE SUPPLY BALANCED



Source: FDIC, S&P Ratings, May 2017. Construction and development loans as a percentage of all CRE loans at FDIC-insured institutions 2008-2016.

Past performance is no guarantee of future results. 4) Trepp, January 2018. 5) RCA U.S. Capital Trends report, January 2018. 6) Trepp as of November 2017.

LTV: ratio of a loan to the value of an asset.

Debt Yield: ratio of the net operating income divided by the total loan amount to measure relative risk.

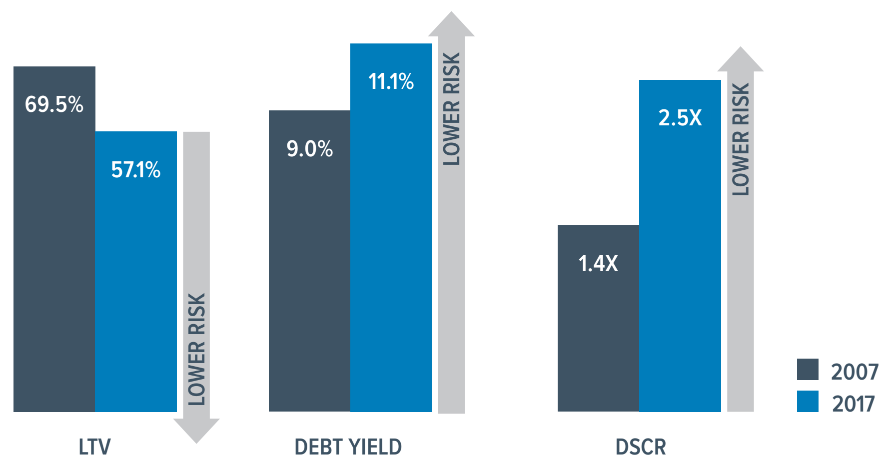
DSCR: measure of available cash flow to pay current debt obligations.

How Have Underwriting Standards Changed?

Post recession, CMBS participants face more rigorous underwriting standards for bonds and the quality of the underlying pool of commercial mortgages.

In 2007, key underwriting metrics of the mortgages within the CMBS trust, including the average debt service coverage ratio (DSCR), were almost half what they are today.[7] By the end of 2017, average loan-to-values (LTV), debt yields and DSCRs were significantly more conservative, factors which may provide extra protection for CMBS investors.

CMBS UNDERWRITING PRE– & POST–CRISIS



LTV is commonly used to represent the relative risk of an investment with a higher LTV being riskier for lenders. Debt yield is the ratio of property net operating income to the loan amount, a higher rate indicating less risk for the lender. During underwriting, lenders will assess a property's DSCR to determine the potential for default, with a DSCR closer to 1 representing a greater risk to a lender.

Sources: Trepp, as of November 2017.

How Do Investors Underwrite CMBS?

As a hybrid investment connecting public fixed income and real estate markets, successful CMBS investing requires a distinct skill set.

As with any bond investment, structured product skills and strong macro-economic and credit analysis are keys to success. Yet CMBS adds an additional, critical element: understanding the risk profile of the underlying real estate.

To fully comprehend the risks, it is a best practice for the underwriter to conduct due diligence of the individual mortgages within each CMBS trust.

7) Trepp, as of November 2017

How Credit Support May Provide a Layer of Downside Protection?

Credit support, also known as credit enhancement or subordination, is an important metric in understanding the risk profile of a CMBS investment.

As illustrated earlier in the bond waterfall, priority for interest and principal payments comes from the top (or most senior tranche) down, while distribution of losses rises from the bottom.

Credit support indicates the level of subordination, or loss cushion, a bondholder faces before incurring its first dollar loss. Since 2009, credit support in newly issued CMBS has increased dramatically in subordinate classes. Compared to pre-crisis securities, some tranches have almost twice the cushion to protect against loss.[8]

Legacy CMBS are defined as bonds issued prior to 2009, while CMBS 2.0 are defined as bonds issued post 2009. CMBS 2.0 have a higher level of credit support which may benefit investors by increasing the cushion to protect against loss.

CMBS STRUCTURAL EXAMPLE ($1 TO $3 BILLION IN COMMERCIAL MORTGAGES)

losses & shortfalls

payments & recoveries

Bond Class (Original Ratings*)	Legacy CMBS Typical Original Subordination	CMBS 2.0 Typical Original Subordination
Super Senior AAA	30%	30%
Mezzanine AAA (AM/AS)	20%	18% – 24%
Junior AAA (AJ)	12% – 14%	N/A
AA	9% – 12%	15% – 18%
A	6% – 9%	10% – 15%
BBB	4% – 6%	6% – 10%
BB	2% – 4%	4% – 6%
B	1% – 2%	2% – 4%
Unrated CMBS	0%	0%

Sources: CREFC, Investing in U.S. CRE Debt Products, 2016. Data as of December 31, 2014. CMBS 2.0: Based on Morgan Stanley Deal Comp Database, January 2018 for conduit deals from 2010 to 2017. *Original ratings. Current ratings may be significantly lower. The above example is provided for illustrative purposes only. The mechanics and structure of assets may differ materially from those outlines above. See page 4 for information on ratings.

Regulation: What Is Risk Retention—and is it Important?

Implemented as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, risk retention requires CMBS issuers to retain a 5% exposure for every CMBS they issue, or transfer that risk retention to a qualified purchaser.

The intent of the regulation, which came into effect in December 2016, is to create better alignment between CMBS issuers and investors. It had a profound effect—the uncertainty surrounding the upcoming regulations caused CMBS issuance to fall by 25% between 2015 and 2016.[9]

CMBS issuers and investors have since made significant progress adapting to the risk retention requirements. Still, conservative underwriting, a wave of other regulations and increased scrutiny mean that issuance volume is expected to remain muted in the near term. And that presents opportunities for growth and investment throughout the capital structure.

8) CREFC Investing in U.S. Commercial Real Estate Debt Products, 2016. 9) Commercial Mortgage Alert. U.S. CMBS issuance year-end 2015 and 2016.

What About Delinquency Risk?

The wider CRE industry has seen bank loss and delinquency rates for commercial mortgages fall from historic highs of more than 8% to close to zero.[10] CMBS has seen a similar reduction since 2012, when less than a third of 2007-vintage loans paid in full, pushing CMBS delinquencies into double-digits.[11]

Delinquency rates increased slightly in 2016 and 2017, largely as the result of loans coming due that were made at the height of the financial crisis.[12] With economic growth continuing to benefit CRE fundamentals, and lenders maintaining conservative underwriting standards, delinquency rates are expected to decline in the future.

HISTORICALLY LOW CRE LOSS & DELINQUENCY RATES

2009/10

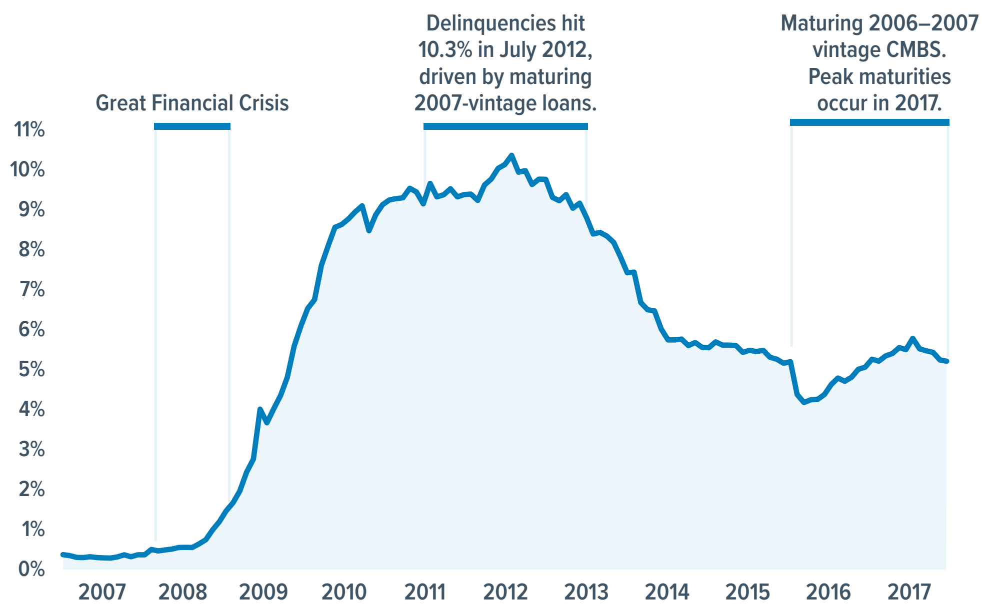
3.00% LOSS RATES
8.76% DELINQUENCY RATES

2017

0.04% LOSS RATES
0.76% DELINQUENCY RATES

Source: Federal Reserve. 2009/10 loss rate, as of Q4 2009; 2009/10 delinquency rate, as of Q2 2010; and 2017 loss and delinquency rates, as of Q3 2017. Past performance is no guarantee of future results.

DECLINING CMBS DELINQUENCY AFTER THE WAVE OF MATURITIES



Source: Trepp, as of November 2017.

10) Federal Reserve, Commercial Real Estate Charge-Offs and Delinquency Rates, 2017 Q3. 11) Trepp, Commercial Observer, July 2012. 12) Trepp, as of November 2017.

The Potential Benefits of CMBS Investing

CMBS investments enjoy unique characteristics that can provide investors with diversification, yield-enhancement and risk-adjusted returns.

Diversification

Diversification is a critical portfolio construction tool designed to help investors mitigate risk and volatility by investing in different asset classes with lower or negative correlations to one another.

Traditionally, investment grade CMBS has demonstrated relatively low correlations to many traditional asset classes and shares a moderate, positive relationship to corporate bonds.

Institutional investors have increasingly moved away from the traditional portfolio of a 60/40 split between equities and bonds. Today, large investors typically have a 25% allocation to alternative assets such as real estate, private equity and hedge funds.[13]

CMBS CORRELATIONS (JANUARY 1, 1997 – DECEMBER 31, 2016)

Index	investment Grade CMBS
U.S. Investment Grade Corporates	0.57
U.S. High Yield Corporates	0.56
U.S. REITs	0.56
Bloomberg Barclays U.S. Aggregate Bond Index	0.49
U.S. Leveraged Loans	0.45
Emerging Market Sovereign Bonds	0.34
Developed and Emerging Market Stocks	0.33
U.S. Stocks	0.28

Diversification does not eliminate risk and does not assure better performance. Source: Lord Abbett, Morningstar, March 2017. Investment-grade corporates as represented by the Bloomberg Barclays U.S. Corporate Bond Index. High yield as represented by the BofA/Merrill Lynch U.S. High Yield Master II Constrained Index. Leveraged loans as represented by the Credit Suisse Leveraged Loan Index. Stocks as represented by the S&P 500® Index. REITs as represented by the MSCI U.S. REIT Index. Emerging market sovereign bonds as represented by the JPM Government Bond Index-Emerging Markets (GBI-EM) Global Diversified. Developed and emerging market stocks as represented by the MSCI ACWI (All Country World Index) ex-U.S. Index. Data provided for informational use only. See page 11 for definitions of each index. Past performance is no guarantee of future results. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment. No updated data is available for CMBS correlations as there are no third-party reports detailing correlations available from 2017 or later.

Correlation is commonly used to measure the extent to which two asset classes move similarly in response to market events, with any figure lower than one demonstrating some diversification benefits.

13) Willis Towers Watson, Global Pension Asset Study, February 2018. The asset allocation study refers to major pensions in the U.S., Australia, the U.K., Canada, the Netherlands, Switzerland and Japan.

Yield Enhancement

Over the past 15 years, the median CMBS spread over Treasuries has been double that of U.S. investment grade corporate bond spreads, while total returns for CMBS over the past decade have been more than 100 basis points (or 1%) higher than corporate bonds.[14]

One factor contributing to CMBS' enhanced yields is the limited number of dedicated buyers and strategies in the industry due to the commercial real estate and structured product expertise required to underwrite the underlying mortgages in a CMBS trust.

CMBS VS. CORPORATE BOND SPREADS OVER TREASURIES

	Median* 15-Year Spread	Maximum* 15-Year Spread	Minimum* 15-Year Spread
Corporate Bonds	52	258	32
CMBS	104	1581	53

Source: Eaton Vance, Factset, Bloomberg Barclays, data as of January 31, 2018. Spread history measures 15-years. All spreads are in basis points and measure option adjusted yield spread relative to comparable maturity U.S. Treasuries using daily data. Data provided for informational use only. Past performance is no guarantee of future results. ***Median:** spread over Treasuries, as of January 31, 2018. **Maximum:** spread date was December 3, 2008 for Bloomberg Barclays Aggregate Index (a broad proxy for the U.S. investment grade bond market) and November 21, 2008 for Bloomberg Barclays U.S. CMBS Investment Grade Index (a proxy for the U.S. CMBS market). **Minimum:** spread date was February 23, 2005 for Bloomberg Barclays Aggregate Index and December 8, 2004 for Bloomberg Barclays U.S. CMBS Investment Grade Index.

CMBS VS. CORPORATE BOND TOTAL RETURNS

	1-Year	3-Year	5-Year	10-Year
Corporate Bonds	2.15%	1.14%	2.01%	3.71%
CMBS	1.61%	1.57%	2.15%	4.87%

Source: Eaton Vance, Factset, Bloomberg Barclays, data as of January 31, 2018. Data provided for informational use only. Past performance is no guarantee of future results. Corporate bonds are represented by the Bloomberg Barclays Aggregate Index (a broad proxy for the U.S. investment grade bond market). CMBS is represented by the Bloomberg Barclays U.S. CMBS Investment Grade Index (a proxy for the U.S. CMBS market).

14) Eaton Vance, Factset, Bloomberg Barclays, data as of January 31, 2018. Spread history measures 15-years. All spreads are in basis points and measure option adjusted yield spread relative to comparable maturity U.S. Treasuries using daily data. The option adjusted spread is a measurement of the spread of a fixed-income security and the risk-free rate of return. Data provided for informational use only. Past performance is no guarantee of future results.

Risk-Adjusted Returns

For many investors, CMBS provides exposure to CRE without a direct investment in commercial properties. And it comes with the added benefit of accommodating a range of risk appetites as a result of the different tranches and credit subordination.

An additional benefit is "call protection," which compensates investors for the risk of early repayment. CMBS' call protection comes in two forms: through prepayment penalties, which provide investors with a sum of money intended to compensate for the loss of yield from early payment; and through defeasance, which typically substitutes the mortgage collateral with government securities.

Such mitigation of term risk, as well as CMBS' credit support to cushion against loss, may provide investors with attractive risk-adjusted returns. There can be no assurance that an investment in these types of assets will protect against loss.

Investors can also look to Sharpe ratio scores for CMBS, a widely-used measure to quantify risk-adjusted returns. The higher a fund's Sharpe ratio, the better the fund returns have been relative its risk.

The Sharpe ratio measures risk-adjusted returns by calculating the excess return per unit of risk. The higher the ratio, the better the risk-adjusted returns.

RISK-ADJUSTED RETURNS (AS OF DECEMBER 31, 2016)

Index	5-Year Sharpe Ration
Bloomberg Barclays Investment Grade CMBS Index	1.28
Bloomberg Barclays U.S. Aggregate Bond Index	0.73
Bloomberg Barclays U.S. Credit Index	0.90
BofA ML U.S. High Yield Master II Constrained Index	1.31
JPM (EMBI) Global Diversified Index	0.87
MSCI U.S. REIT Index	0.61

Source: Lord Abbett, Morningstar. No updated data is available for Sharpe ratios as there are no third-party reports detailing risk-adjusted returns available from 2017 or later. Past performance is no guarantee of future results. For illustrative purposes only.

Bloomberg Barclays Investment Grade CMBS Index measures the market of conduit and fusion CMBS deals with a minimum current deal size of $300mn. The index is divided into two subcomponents: the U.S. Aggregate-eligible component, which contains bonds that are ERISA eligible under the underwriter's exemption, and the non-U.S. Aggregate-eligible component, which consists of bonds that are not ERISA eligible. **Bloomberg Barclays U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). **Bloomberg Barclays U.S. Credit Index** measures the performance of Investment Grade securities and is selected by a Market Value process. **BofA ML U.S High Yield Master II Constrained Index** is a market value-weighted index of all domestic and yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. ALSO: High yield bonds are represented by the Merrill Lynch High Yield Master II Index, a broad based index consisting of all U.S. dollar-denominated high-yield bonds with a minimum outstanding amount of $100 million and maturing over one year. **JPM (EMBI) Global Diversified Index** is an unmanaged, market-capitalization weighted, total-return index tracking the traded market for U.S.-dollar-denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by sovereign and quasi-sovereign entities. **MSCI U.S. REIT Index** is a free float-adjusted market capitalization index that is comprised of equity REITs. The index is based on MSCI USA Investable Market Index (IMI) its parent index which captures large, mid and small caps securities.

The Case for CMBS

An important part of both public fixed income and CRE capital markets, CMBS provide investors with unique characteristics that may help deliver diversified and enhanced risk-adjusted returns to investor portfolios.

Those characteristics, combined with healthy CRE fundamentals, continued conservative underwriting and muted issuance, will likely continue to encourage investors to include CMBS in their portfolios.

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RISK FACTORS

An investment in CMBS can vary in degree of risk and may decrease or fluctuate in value. As with any investment, there are various risks that investors should consider, including but not limited to unfavorable market conditions, loss of principal, limited liquidity and increased risk. An investment in a Fund is not a direct investment in CMBS or CRE and is significantly different than investing in traditional investments such as stocks and bonds. An investment in a Fund is subject to fees and expenses that do not apply to such direct investments. An investment in a Fund involves a high degree of risk and may be considered speculative as well as illiquid and a prospective investor should invest only if they can sustain a complete loss of their investment. The following are some of the risks involved in an investment in a Fund: (i) only a limited number of each Fund's shares may be eligible for repurchase under a Fund's share repurchase program, and the share repurchase program may be terminated at any time. As such, you will have limited to no access to the money you invest for an indefinite period of time; (ii) no guarantee of distributions, and it is expected that some of the Funds' distributions, if any, may be paid from the proceeds from the offerings. It is expected that for a period of time, which time period may be significant, substantial portions of distributions may be funded through the reimbursement of certain expenses of, and the payment of additional support to, the Funds and CCREI by an affiliate of Colony Capital, Inc, NorthStar FV Holdings, LLC. While the purpose of this arrangement is to seek to minimize the extent to which any portion of distributions will be characterized as a return of capital, such distributions may still be characterized as a return of capital, which may reduce an investor's overall return. Additionally, for Fund-T and Fund-ADV investors, a distribution and servicing fee is paid out of the applicable Fund's assets on a monthly basis, increasing the cost of an investment in Fund-T and Fund-ADV, respectively, over time; (iii) as shares are not listed on an exchange and it is not anticipated that a secondary market will develop, investors will have limited liquidity and may not receive a full return of their invested capital if they sell their shares; (iv) the Funds are recently organized companies and have limited operating history; (v) investors will incur immediate dilution as a result of any selling commissions and dealer manager fees paid by an investor and offering expenses the Funds will incur; (vi) no guarantee that the investment objectives of the Funds will be attained; (vii) payment of fees and expenses will reduce the cash available for investment, the net income generated, the cash available for distribution and the book value of the shares; (viii) financial risks associated with real estate investments, including the inability to dispose of certain assets at a fair price; and (ix) CCREI may make investments in below investment grade securities, which are speculative and may be illiquid and difficult to value.

This material is neither an offer to sell nor a solicitation of an offer to buy securities. An offering is made only by the applicable prospectus. This material must be read in conjunction with the applicable Fund's prospectus in order to fully understand all of the implications and risks of the offering of securities to which the prospectus relates. **Before investing, investors are advised to carefully read and consider the investment objectives, risks, charges and expenses of CCREI and the Fund in which they are considering an investment. Each Fund's prospectus contains this and other information about the Fund. Investors may obtain a copy of a Fund's prospectus by visiting www.CCREIFund.com or by calling 877.227.4141.** No offering is made except pursuant to a registration statement declared effective by the U.S. Securities and Exchange Commission (the SEC). Neither the SEC nor any state securities regulator has approved or disapproved of the Funds' common shares, determined if a prospectus is truthful or complete or passed on or endorsed the merits of the Funds' offerings. Any representation to the contrary is a criminal offense.

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