



Asset Correlation and Risk/Return Spectrum

Direct Real Estate Compares
Favorably with Other Asset Classes

Direct real estate's potential for income and reduced fluctuations are especially notable if you're saving for retirement or are already retired.

Asset Class Correlation¹

	Direct-Owned Real Estate (Global)	Public Real Estate (U.S.)	Corporate Bonds (Global)	Corporate Bonds (U.S.)	Stocks (Global)	Large Cap Stocks (U.S.)
Direct-Owned Real Estate (Global)	1.00					
Public Real Estate (U.S.)	0.34	1.00				
Corporate Bonds (Global)	(0.22)	0.07	1.00			
Corporate Bonds (U.S.)	(0.01)	0.54	0.57	1.00		
Stocks (Global)	0.19	0.68	(0.21)	0.33	1.00	
Large Cap Stocks (U.S.)	0.18	0.67	(0.23)	0.34	0.97	1.00

Global real estate investments historically have had a low correlation to investments like public real estate, domestic stocks and bonds.

The lower the correlation number between two investments, the less likely they will move up and down with each other at the same time.

Past performance cannot guarantee future results. Chart is for illustrative purposes only and is not intended to reflect or forecast what a potential return and/or correlation would be for an actual investment portfolio or an investment in a non-traded real estate investment trust (REIT). Asset allocation/diversification does not guarantee a profit or eliminate the risk of loss.

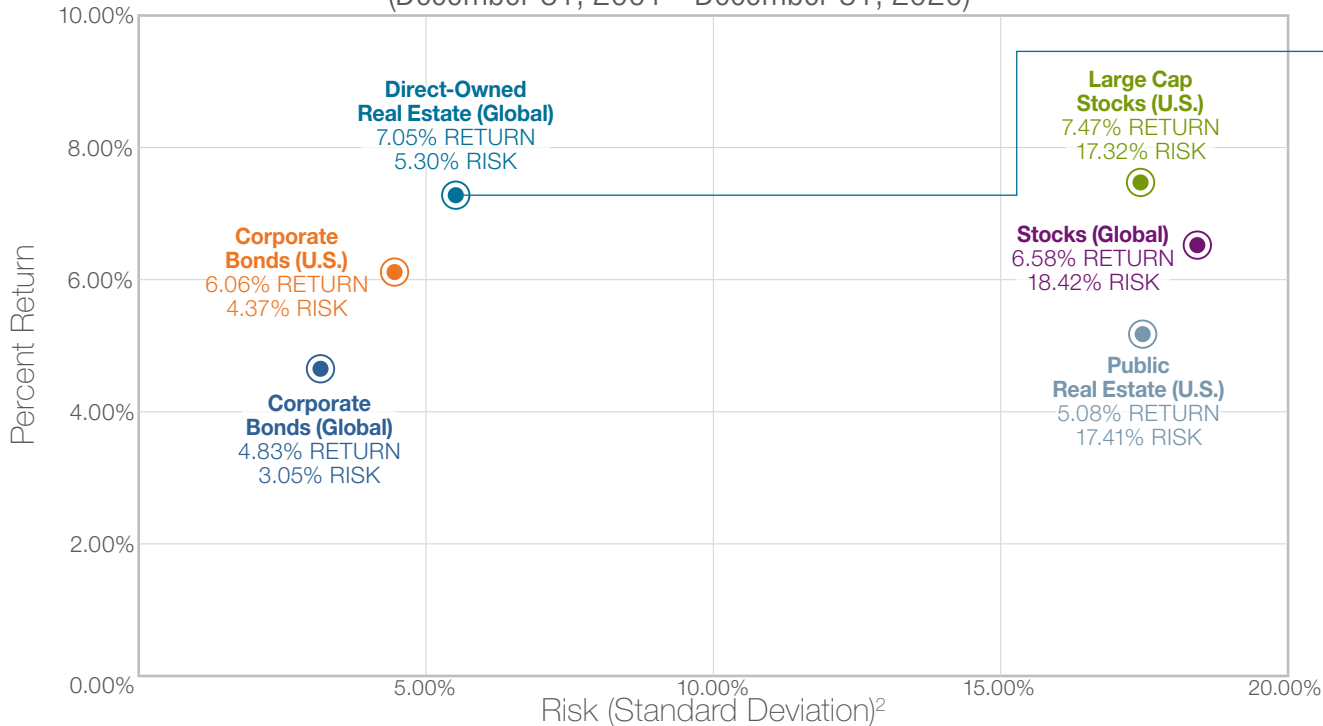
An investment in a REIT is not a direct investment in real estate. An investment in direct real estate as represented by the indexes mentioned below and traded investments differs significantly from an investment in non-traded REITs. Please see "About the Sources and Indexes in this Brochure" for an explanation of the differences between the investments represented by the indexes and an investment in a non-traded REIT.

¹ Correlation is a statistic that measures the degree to which two asset classes move in relation to each other. The degree of correlation is represented by the correlation coefficient, which has a value that must fall between -1 and 1. A correlation of "1" means the asset classes move in lock-step. A correlation of "-1" means the asset classes move in opposite directions. Asset classes are represented using data from these indexes: MSCI Global for Direct-Owned Real Estate (Global); NAREIT All Equity REITs Index for Public Real Estate (U.S.); Bloomberg Barclays Global Aggregate Corporate Index for Corporate Bonds (Global); Bank of America Merrill Lynch US Corp Master Total Return Index for Corporate Bonds (U.S.); MSCI World Total Return for Stocks (Global); and S&P 500 for Large Cap Stocks (U.S.). An investment cannot be made directly in an index. For information about these indexes and the sources in this brochure, please see "About the Sources and Indexes in this Brochure."

Sources: MSCI, Inc., NAREIT, Bloomberg Barclays, ICE Benchmark Administration retrieved from FRED, Federal Reserve Bank of St. Louis and S&P 500. Data as of December 31, 2020.

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19-Year Average Annual Index Returns for Various Asset Classes (December 31, 2001 - December 31, 2020)^{1,2}



As you can see, direct real estate offered a higher rate of return than U.S. public real estate and bonds in this timeframe.

In addition, the standard deviation for direct-owned real estate (global) was significantly less than that of stocks.

Please note that bonds and stocks are subject to daily price movements because market forces determine the price, but they provide investors with ready liquidity. Direct real estate does not provide ready liquidity, and if investors are able to redeem shares, the redemption price may be less than the original investment. Additionally, while an increase in interest rates may cause bond prices to decline, bonds pay a fixed rate of income. The income global real estate may pay is not fixed-rate income.

Asset Classes Risk, Return and Sharpe Ratio^{1,2,3}

	Direct-Owned Real Estate (Global)	Public Real Estate (U.S.)	Corporate Bonds (Global)	Corporate Bonds (U.S.)	Stocks (Global)	Large Cap Stocks (U.S.)
Return	7.05%	5.08%	4.83%	6.06%	6.58%	7.47%
Risk	5.30%	17.41%	3.05%	4.37%	18.42%	17.32%
Sharpe Ratio	1.09%	0.31%	1.14%	1.09%	0.38%	0.44%

² Risk is measured by standard deviation. Standard deviation measures the average amount by which an investment may swing sharply above or below its historical average.

³ The sharpe ratio is the average return earned in excess of the risk-free rate, as measured by the U.S. Treasury Bill, per unit of volatility or total risk. Generally, the greater the value of the Sharpe ratio, the more attractive the risk-adjusted return.

About the Sources and Indexes in this Brochure

This material contains information in the form of charts, graphs and/or statements that we indicate were obtained by us from published sources or provided to us by independent third parties, some of whom we pay fees for such information. We consider such sources to be reliable. It is possible that data and assumptions underlying such third-party information may have changed materially since the date referenced. You should not rely on such third-party information as predictions of future results. None of Hines Interests Limited Partnership ("Hines"), its affiliates or any third-party source undertakes to update any such information contained herein. Further, none of Hines, its affiliates or any third-party source purports that such information is comprehensive, and, while it is believed to be accurate, it is not guaranteed to be free from error, omission or misstatement. Hines and its affiliates have not undertaken any independent verification of such information. Finally, you should not construe such third-party information as investment, tax, accounting or legal advice.

Global real estate is represented by the MSCI Global and differs significantly from an investment in non-traded real estate investment trusts (REITs).

The MSCI Global reports the market rebalanced returns of the 25 most mature markets (including the U.S.). The index is reported in four major currencies, including the U.S. dollar and began tracking markets in 2001 and reporting results starting with the year ended December 31, 2001. Results are reported annually.

The MSCI Global measures unlevered total returns of directly held standing property investments from one valuation to the next. The returns are based solely on directly held investments in completed and lettable properties, often described as operating properties. The index tracks performance of 59,914 property investments, with a total capital value of USD 1,993.7 billion as at December 2020 and is comprised of all property sectors (retail, office, industrial, residential, hotel and other), direct ownership structures and interests. The index is computed at the building level and excludes properties held indirectly through investment funds, the impact of debt, fund management fees, taxation and cash. The MSCI Global is used to gauge the performance of the global real estate market.

The countries included in the MSCI Global will be subject to change as the MSCI Global's coverage extends to more countries and as more accurate estimates of the value of each investment market become available.

The MSCI Global reflects the results of direct investments in real estate. Non-traded REITs provide pooled access to a portfolio of properties and are not a direct investment in real estate.

A non-traded REIT also differs from the MSCI Global in several respects, including: it uses debt; it requires the payment of up-front selling commissions and other fees that typically exceed those of institutional programs, as well as the payment of expenses related to being a public company; investors in a non-traded REIT will be investing in securities of a company and not directly in real estate; and the value of an investment in a non-traded REIT may not be based solely on the appraised value of the underlying properties.

Additionally, the MSCI Global reflects income as cash flow from operations. A non-traded REIT may pay distributions from cash flow from operations of the properties the REIT owns, as well as from other sources, including borrowings and offering proceeds, which may lower returns. The availability and timing of distributions a non-traded REIT may pay is uncertain and cannot be assured. Additionally, a non-traded REIT is subject to significant fees and expenses, which may lower returns. The board of directors of a non-traded REIT determines the timing and amount of distributions. There is no guarantee that distributions will be paid or that the distribution rate will be maintained.

The MSCI Global does reflect the impact of entity level expenses; however, it does not reflect the fees and expenses associated with raising capital to which an investment in a non-traded REIT is subject, which may lower returns.

International investment risks, including the burden of complying with a wide variety of foreign laws and the uncertainty of such laws, the tax treatment of transaction structures, political and economic instability, foreign currency fluctuations, and inflation and governmental measures to curb inflation may adversely affect a non-traded REIT's operations and its ability to make distributions.

Distributions from a non-traded REIT are not guaranteed and may be sourced from non-income items including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds, and a non-traded REIT has no limits on the amounts it may pay from such sources.

The indexes described below are presented in comparison to the MSCI Global in order to illustrate the historic differences between direct investments in commercial real estate, publicly traded REITs, stocks and bonds.

- Corporate bonds (Global) are represented by the Bloomberg Barclays Global Aggregate Corporate Index, which is a flagship measure of global investment-grade, fixed-rate corporate debt. This multi-currency benchmark includes bonds from developed and emerging markets issuers within the industrial, utility and financial sectors. The Global Aggregate Corporate Index is a component of the Global Aggregate and Multiverse Indices. Index history is available through January 2001.

- Corporate Bonds (U.S.) are represented by the Bank of America Merrill Lynch U.S. Corporate Master Index, which tracks the performance of U.S. dollar denominated investment grade rated corporate debt publicly issued in the U.S. domestic market.

Corporate bonds are debt instruments issued by corporations that pay a fixed amount of interest. Bonds are subject to interest rate risk, which refers to the risk that bond prices generally fall when interest rates rise and vice versa. Bonds are easily traded and provide ready liquidity. An investment in debt instruments, such as corporate bonds, may be secured by collateral and are repaid first should a company be liquidated, while an investment in a REIT is an investment in equity which will not be secured by collateral and the interest of shareholders of a REIT are subordinate to the REIT's lenders should a REIT be liquidated. Investments in non-traded REITs or direct real estate may be subject to more expenses than a direct investment in bonds, including management fees and entity-level expenses.

- Public real estate (U.S.) is measured by the FTSE NAREIT All Equity REITs Index, which is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs that are listed on an exchange. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property. An investment in a traded REIT differs from an investment in a non-traded REIT in that non-traded REITs do not trade on an exchange, have limited redemption programs, and are subject to fees that may be higher than those paid with respect to traded REITs.

- Stocks (Global) are represented by the MSCI World Total Return for Stocks, which is part of a broad global equity benchmark that represents large and mid-cap equity performance across 23 developed markets countries. The index is reviewed quarterly with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue index turnover.

- Large cap stocks (U.S.) are represented by the S&P 500 Index, widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

The prices of equity securities represented by these indices may change in response to factors including: the historical and prospective earnings of issues, the value of assets, general economic conditions, interest rates and investor perceptions. Stocks, including stocks of traded REITs, are easily traded and provide ready liquidity. An investment in direct real estate or a non-traded REIT does not. Additionally, stock investments are not subject to the fees and expenses, to which direct real estate and non-traded REITs would be subject.

Past performance cannot guarantee comparable future results. All indexes are unmanaged. An investment cannot be made directly in an index.

Important Risk Considerations

An investment in REITs, particularly non-traded REITs, involves a high degree of risk. You should purchase these securities only if you can afford the complete loss of your investment. Risks will vary by investment. A more detailed description of the risks associated with a specific non-traded REIT are included in a prospectus for that investment, which you should read carefully before you invest. In general risks include, but are not limited to:

- There is not a public market for shares of non-traded REITs so it will be difficult for you to sell your shares and, if you are able to sell your shares, you will likely sell them at a substantial discount;
- These offerings may be conducted on a “best efforts” basis and as such, there is a risk that the program will not be able to accomplish its business objectives if substantial funds are not raised in the offering;
- The availability and timing of distributions is uncertain and cannot be assured.
- Non-traded REITs may offer share redemption programs; however there are significant restrictions and limitations on your ability to have all or any portion of your shares redeemed under such programs; if redemptions occur, they may be at a price that is less than the price you paid for the shares and/or the then-current market value of the shares;
- Distributions may be paid from sources such as proceeds from debt financings, proceeds from the offering, cash advances by the advisor, cash resulting from a waiver or deferral of fees and/or proceeds from the sale of assets; distributions may exceed earnings; if distributions are paid from sources other than cash flow from operations, there will be less funds available for investment, and your overall return may be reduced;
- Non-traded REITs may invest outside of the U.S. or in specific sectors which increases risk; in particular, international investment risks, include the burden of complying with a wide variety of foreign laws and the uncertainty of such laws, the tax treatment of transaction structures, political and economic instability, foreign currency fluctuations, and inflation and governmental measures to curb inflation;
- A non-traded REIT may rely on affiliates of its advisor or sponsor for day-to-day operations and the selection of real estate investments. As such it may pay substantial fees to these affiliates for these services. These affiliates are subject to conflicts of interest as a result of this and other relationships they have with the particular non-traded REIT and other investment vehicles offered by its sponsor.

Important Information About the Coronavirus and Global Real Estate Markets

The Coronavirus (COVID 19) pandemic has had an adverse impact on global commercial activity. Investments in real properties and real estate related securities have not been immune to the impact of the pandemic. Although the outlook is improving in certain areas of the world, including the United States, the United Kingdom, and Europe, considerable uncertainty still surrounds the Coronavirus and its potential effects on the population, which makes it difficult to ascertain the long-term impact it will have on commercial real estate markets.

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