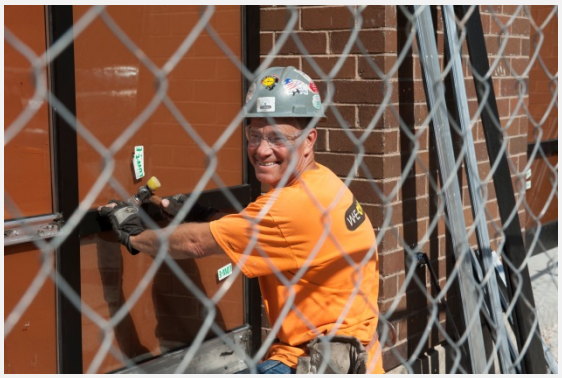


AFL-CIO HOUSING INVESTMENT TRUST

July 13, 2017

Mid-Atlantic UFCW & Participating Employers Pension Fund

National Office
2401 Pennsylvania Avenue, NW, Suite 200
Washington, DC 20037 • (202) 331-8055

www.aflcio-hit.com

Features of the HIT: Competitive Returns, Impact Investing

- **$5.9 billion investment grade fixed-income portfolio**
  - Open-end institutional commingled mutual fund registered under Investment Company Act of 1940 and primarily regulated by the U.S. Securities and Exchange Commission
  - Monthly unit valuation and income distribution – independent third party pricing provides integrity
- **Record of consistent and competitive returns**
  - Gross returns exceeded benchmark for 23 of past 24 calendar years; net returns for 15 of those years.
- **Investment strategy**
  - With its focus on high credit quality multifamily mortgage securities, the portfolio is designed to provide higher income, a superior credit profile, and similar interest rate risk compared to the benchmark.
- **30 + years of impact investing***
  - Invested $10.5 billion nationally (in current dollars) since inception in 1984, financed 479 projects in 29 states
  - All construction is done 100% union
  - Generated nearly 77,500 union construction jobs and over 164,800 total jobs across the U.S.
  - More livable communities with quality affordable housing and a sustainable environment

* Includes projects financed with tax credits by Building America CDE

As of March 31, 2017

Investor Profile: 388 Investors

376 Taft-Hartley pension plans/labor organizations

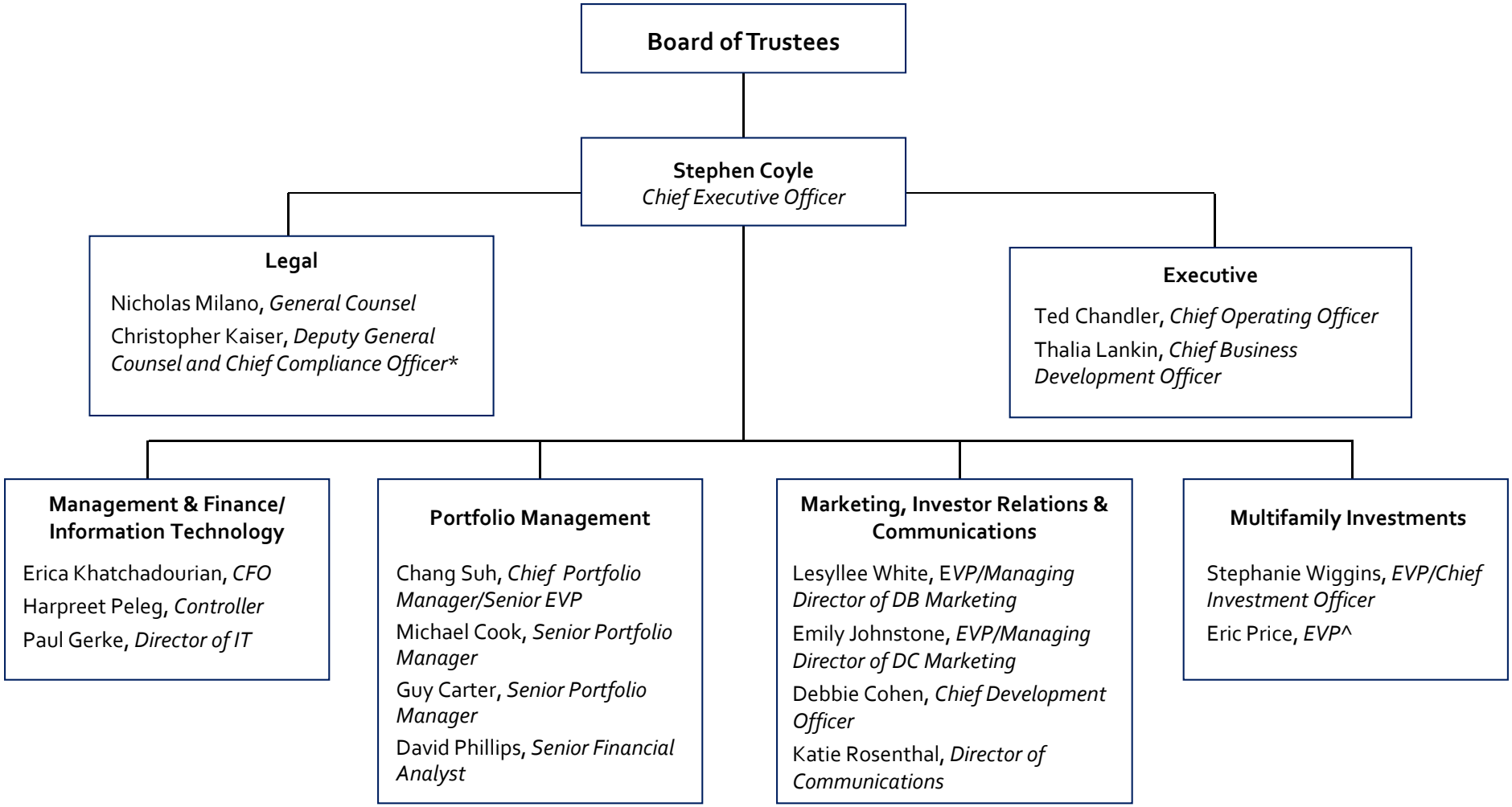
- $4.35 billion in net assets
- 74% total net assets
- 281 building trades funds and 95 industrial and service funds; 46 of these are Health & Welfare plans

12 public employee plans

- $1.51 billion in net assets
- 26% total net assets

As of March 31, 2017

Organizational Structure



* The Deputy General Counsel/Chief Compliance Officer reports to the General Counsel and the Board of Trustees.

^ Also serves as Chief Executive Officer of HIT Advisers LLC, a wholly owned investment adviser subsidiary of the HIT formed in October 2016 and as Chief Executive Officer of Building America CDE, Inc., a wholly owned subsidiary of HIT Advisers. Building America is certified as a Community Development Entity by the CDFI Fund.

The Team

- **Leadership**
  - Stephen Coyle, CEO: 40+ years experience in housing production and finance, economic development, and urban planning, with 25 years at the HIT
  - Ted Chandler, COO: 30+ years experience in housing finance and community development, including 15 years at Fannie Mae and 8 years at the HIT
  - Erica Khatchadourian, CFO: 28 years experience in accounting for financial transactions, general and personnel management and policy development, with 24 years at the HIT
- **Portfolio management**
  - Chang Suh, CFA, Sr. EVP/Chief Portfolio Manager: 21 years experience, including in the financial services group of Arthur Andersen, specializing in the commercial mortgage industry and 19 years at the HIT
  - Guy Carter, Senior Portfolio Manager: 15 years of experience including 6 years at Freddie Mac and 9 years at the HIT
  - Mike Cook, CFA, FRM, Senior Portfolio Manager: 14 years of experience at the HIT
  - David Phillips, Senior Financial Analyst: 18 years of experience at the HIT

30+ Years of Impact Investing: Housing, Union Construction Jobs & Economic Benefits*

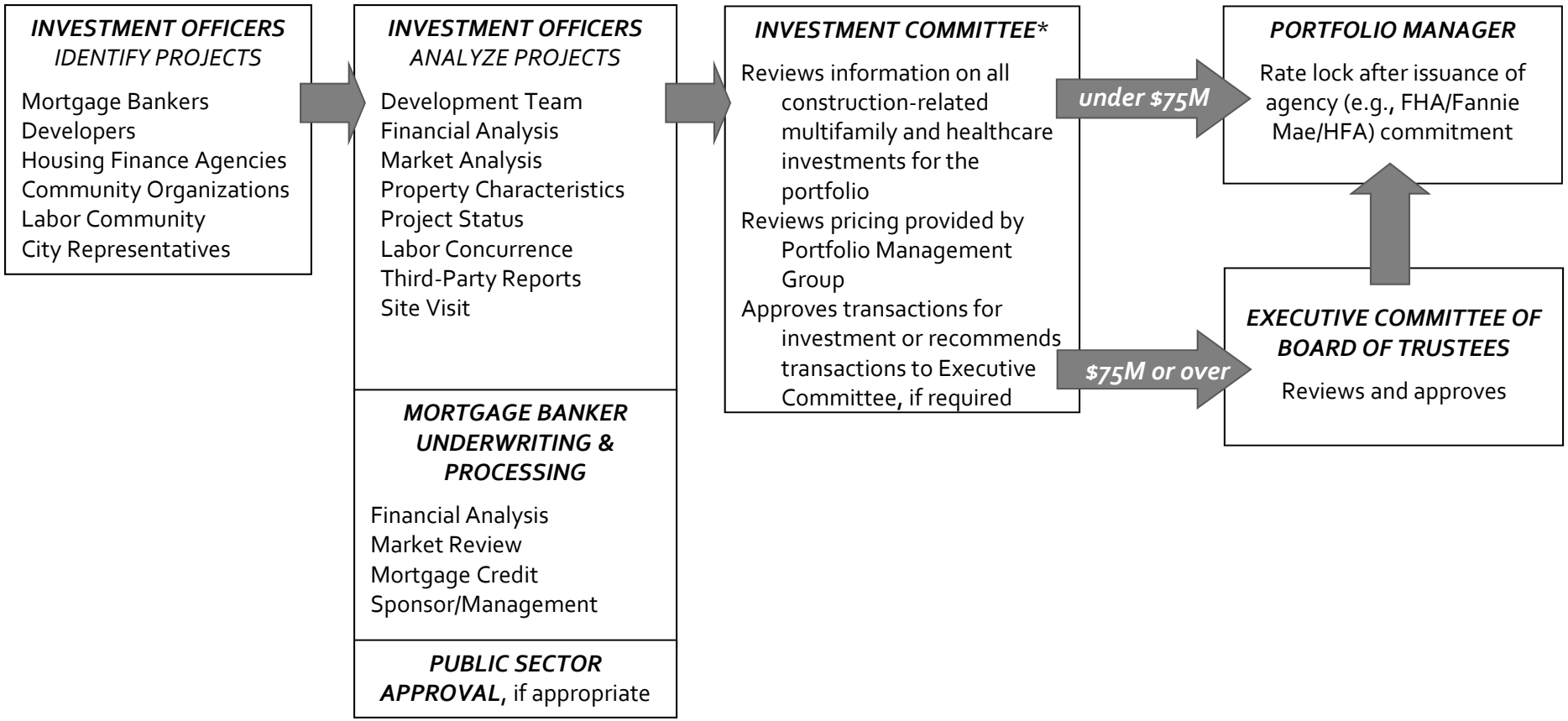
- **77,500** union construction jobs nationally; **164,800** total jobs across industries
- **479** projects in **29** states
- **$16.8 billion** total development investment
- **$26.1 billion** in total economic activity
  - **$10.3 billion** in total salaries and benefits, with **$5.2 billion** for construction workers
  - **$1.0 million** in local tax revenues and **$2.2 million** in federal revenues

- **Green Jobs Initiative**
  - **LEED- certified projects:** HIT invested $700 million and Building America provided $67.5 million in tax credits for 33 projects with total development value of over $2.2 billion since 2001
  - **Energy retrofit projects:** HIT invested $915 million in 32 projects with total development value of $1.7 billion since 2010

**Projects include those with financing by Building America CDE. Figures provided by Pinnacle Economics and the HIT are estimates calculated using an IMPLAN input-output model based on HIT project data and secondary source information. In 2016 dollars.*

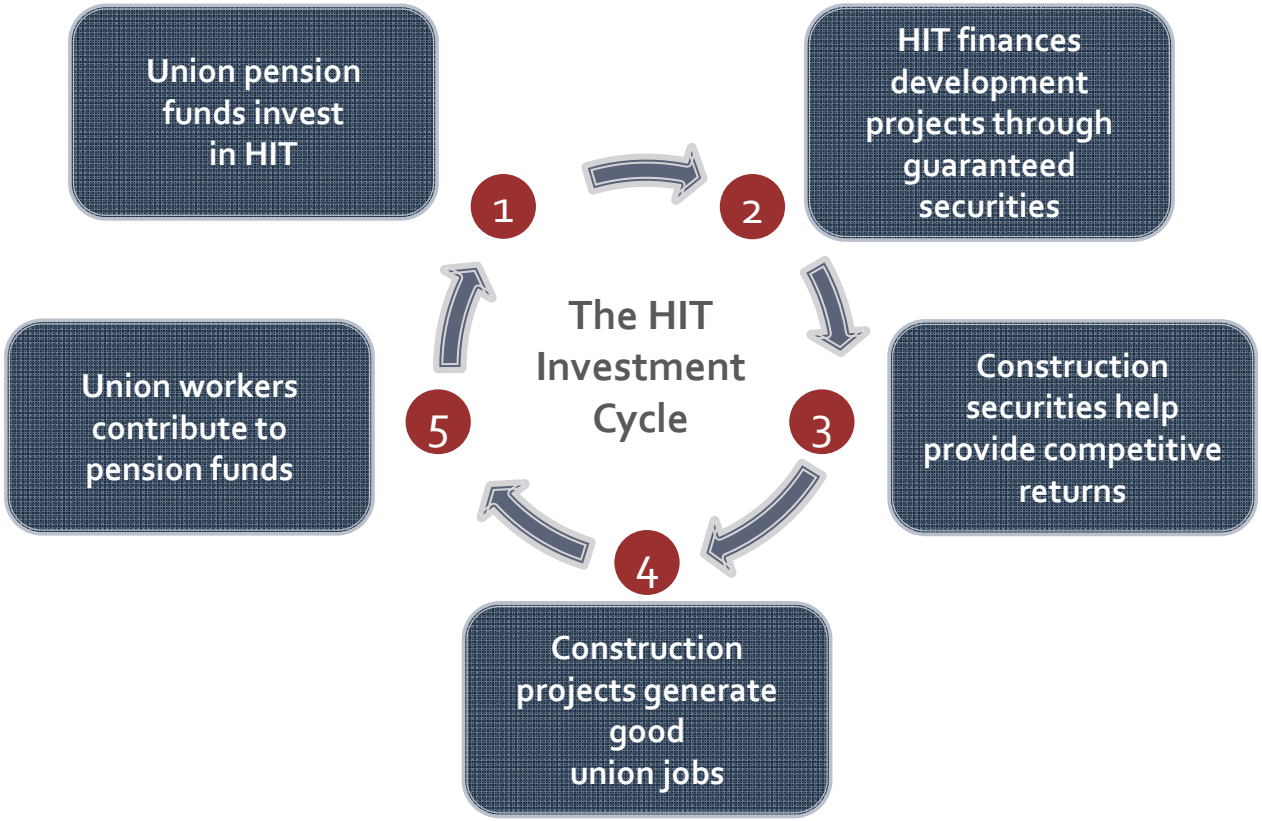
As of March 31, 2017

Construction-Related Multifamily & Healthcare Project Investment Process



*Standard process: (1) Letter of Interest or Conditional Commitment is issued after Investment Committee approval based on analysis of the financing structure and pro formas, property description, proposed rents, market demand, sponsor, management, etc.; (2) Preliminary Financing Proposal is approved to be issued when information is available on site control, zoning; third-party reports, and labor confirmation that the project will be built with 100% union labor; (3) after confirmation that the necessary credit enhancement/agency endorsement or approval has been obtained, the final commitment is based on proposed pricing from the Portfolio Management Group. For transactions of $75 million or more, approval by the Executive Committee of the Board is then required. Finally, the project is eligible for rate lock and final commitment documentation. (The first two steps may not occur in each transaction and do not obligate the HIT.)

Cycle of Sustainable Investment



The cycle of sustainable investment begins when union pension plans invest capital in the HIT. This capital allows the HIT to finance multifamily development projects through government/agency credit multifamily new construction and substantial rehabilitation securities, which provide pension plan investors with competitive returns. The projects create good union construction jobs. As workers at the projects earn income, the pension plan contributions increase. The pension plans have more capital to invest in the HIT and the cycle continues.

Investment Objective and Strategy

OBJECTIVE:
Generate competitive risk-adjusted fixed-income returns versus the Bloomberg Barclays U.S. Aggregate Bond Index while financing housing, including affordable and workforce housing, and creating union construction jobs

STRATEGY:

- Construct and manage a portfolio with superior credit quality, higher yield, and similar interest rate risk relative to the Barclays Aggregate.

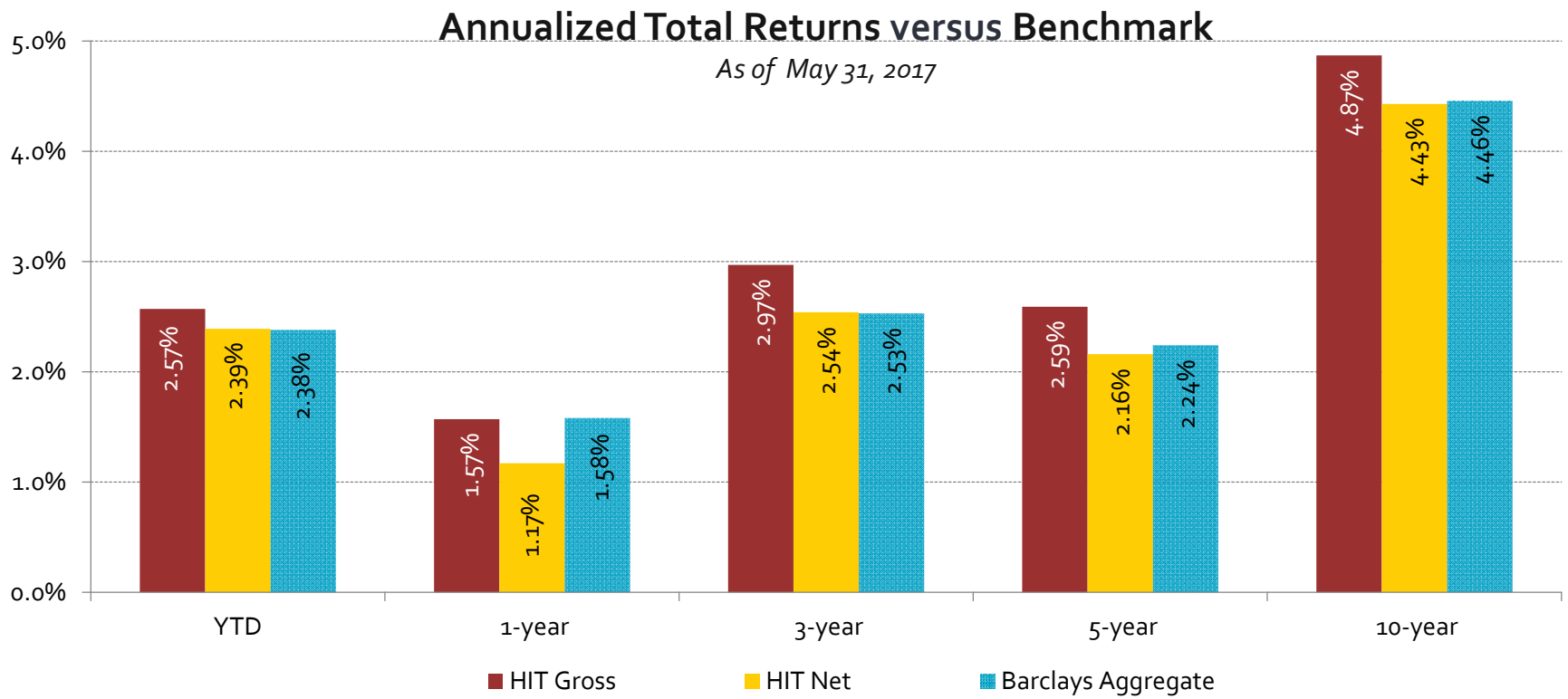
- Overweight government/agency multifamily mortgage-backed securities (MBS), which tend to provide an income advantage compared to other securities with comparable credit and interest rate risk.
  - Expertise in government/agency multifamily MBS
  - Directly sources construction-related multifamily MBS
  - Focus on construction-related multifamily MBS can provide a yield advantage.
  - Substitution of prepayment-protected multifamily MBS for corporates and some Treasuries in the benchmark can make the HIT a better source of diversification than other core fixed-income strategies.

Superior Yield and Lower Credit Risk

As of March 31, 2017	HIT	Barclays Aggregate
Superior Credit Profile		
U.S. Government/Agency /AAA/Cash	96.1%	71.7%
A & Below	0.1%	23.7%
Superior Yield		
Current Yield: 33 basis point advantage	3.30%	2.97%
Similar Interest Rate Risk		
Effective Duration	5.47	5.84
Convexity	0.10	0.10
Similar Call /Prepayment Risk		
Call Protected	76%	72%
Not Call Protected	24%	28%

The calculation of the HIT yield herein represents a widely accepted portfolio characteristic based on coupon rate and current price and is not current yield or other performance data as defined by the SEC in Rule 482.

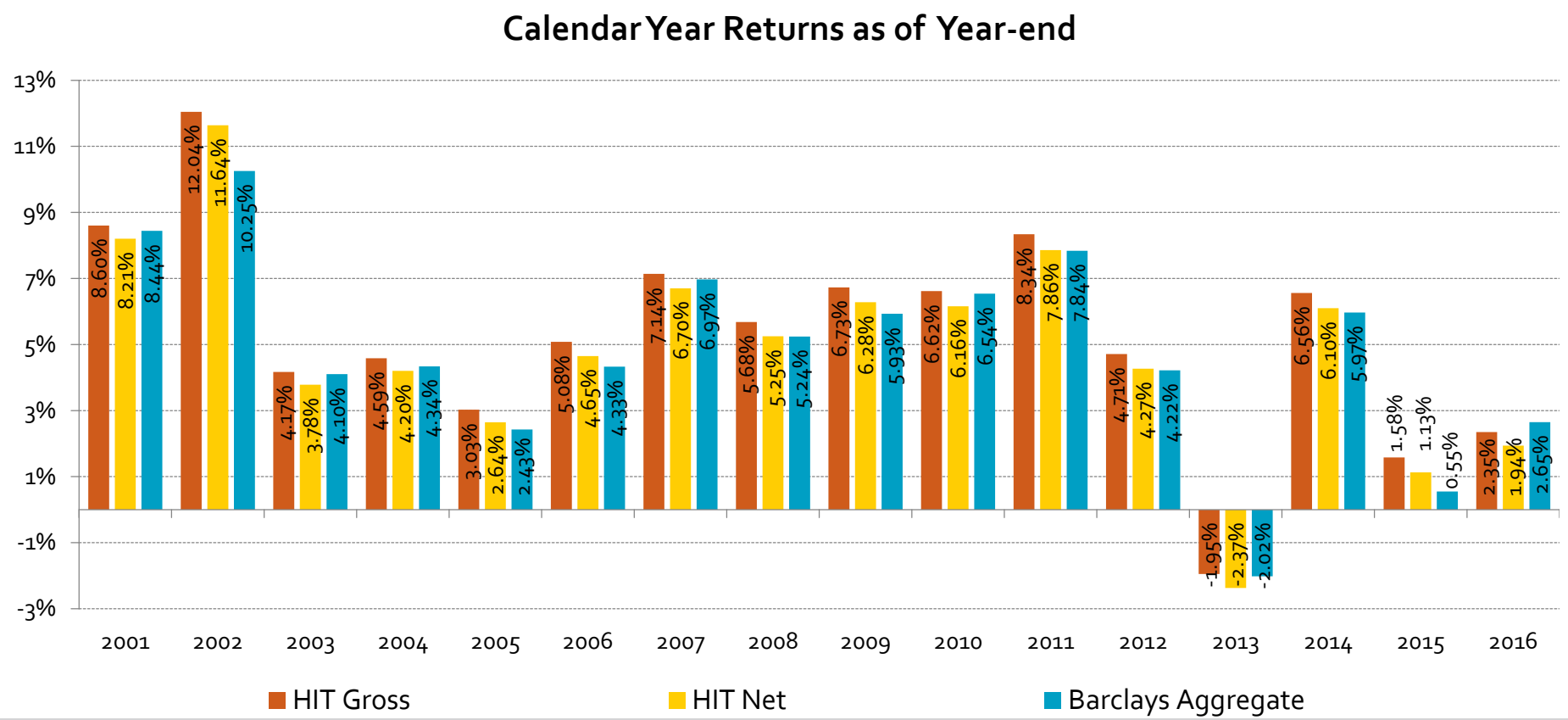
HIT Performance Relative to the Benchmark



The HIT's gross returns exceeded the Barclays Aggregate for the year-to-date, 3-, 5- and 10-year periods ending May 31, 2017. The HIT's net returns also exceeded the Barclays Aggregate for the year-to-date and 3-year periods.

The performance data quoted represents past performance and is no guarantee of future results. Periods over one year are annualized. Investment results and principal value will fluctuate so that units in the HIT, when redeemed, may be worth more or less than the original cost. The HIT's current performance may be lower or higher than the performance data quoted. Performance data current to the most recent month-end is available from the HIT's website at www.aflcio-hit.com. Gross performance figures do not reflect the deduction of HIT expenses. Net performance figures reflect the deduction of HIT expenses and are the performance figures investors experience in the HIT. Information about HIT expenses can be found on page 1 of the HIT's current prospectus.

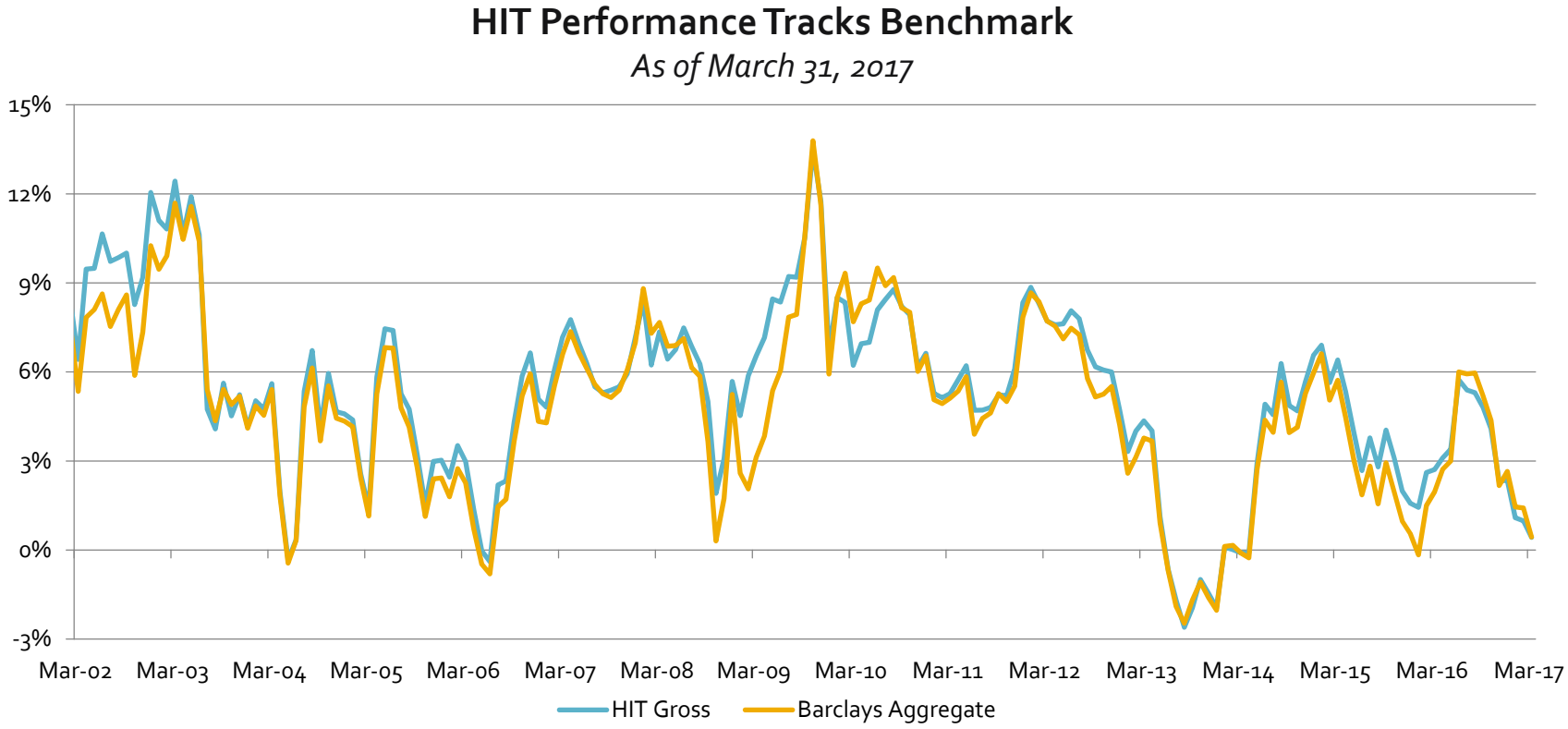
Average Annual Total Returns vs. Benchmark



The HIT's gross returns have exceeded the Barclays Aggregate for 23 of 24 consecutive calendar years, including 2008, when many fixed-income investments' returns were lower than the benchmark or negative.

HIT's net performance for the 1-, 3-, 5-, and 10-year periods ended May 31, 2017 was 1.17%, 2.54%, 2.16%, and 4.43%, respectively. The performance data quoted represents past performance and is no guarantee of future results. The performance data quoted represents past performance and is no guarantee of future results. Periods over one year are annualized. Investment results and principal value will fluctuate so that units in the HIT, when redeemed, may be worth more or less than the original cost. The HIT's current performance may be lower or higher than the performance data quoted. Performance data current to the most recent month-end is available from the HIT's website at www.aflcio-hit.com. Gross performance figures do not reflect the deduction of HIT expenses. Net performance figures reflect the deduction of HIT expenses and are the performance figures investors experience in the HIT. Information about HIT expenses can be found on page 1 of the HIT's current prospectus.

HIT Performance Relative to the Benchmark



Rolling annual returns show a high correlation with the Barclays Aggregate, exceeding the benchmark during periods of economic weakness; 97% correlation of month-over-month returns over the 5 years ending March 31, 2017.

HIT's net performance for the 1-, 3-, 5-, and 10-year periods ended May 31, 2017 was 1.17%, 2.54%, 2.16%, and 4.43%, respectively. The performance data quoted represents past performance and is no guarantee of future results. Periods over one year are annualized. Investment results and principal value will fluctuate so that units in the HIT, when redeemed, may be worth more or less than the original cost. The HIT's current performance may be lower or higher than the performance data quoted. Performance data current to the most recent month-end is available from the HIT's website at www.aflcio-hit.com. Gross performance figures do not reflect the deduction of HIT expenses. Net performance figures reflect the deduction of HIT expenses and are the performance figures investors experience in the HIT. Information about HIT expenses can be found on page 1 of the HIT's current prospectus.

Active Risk Management

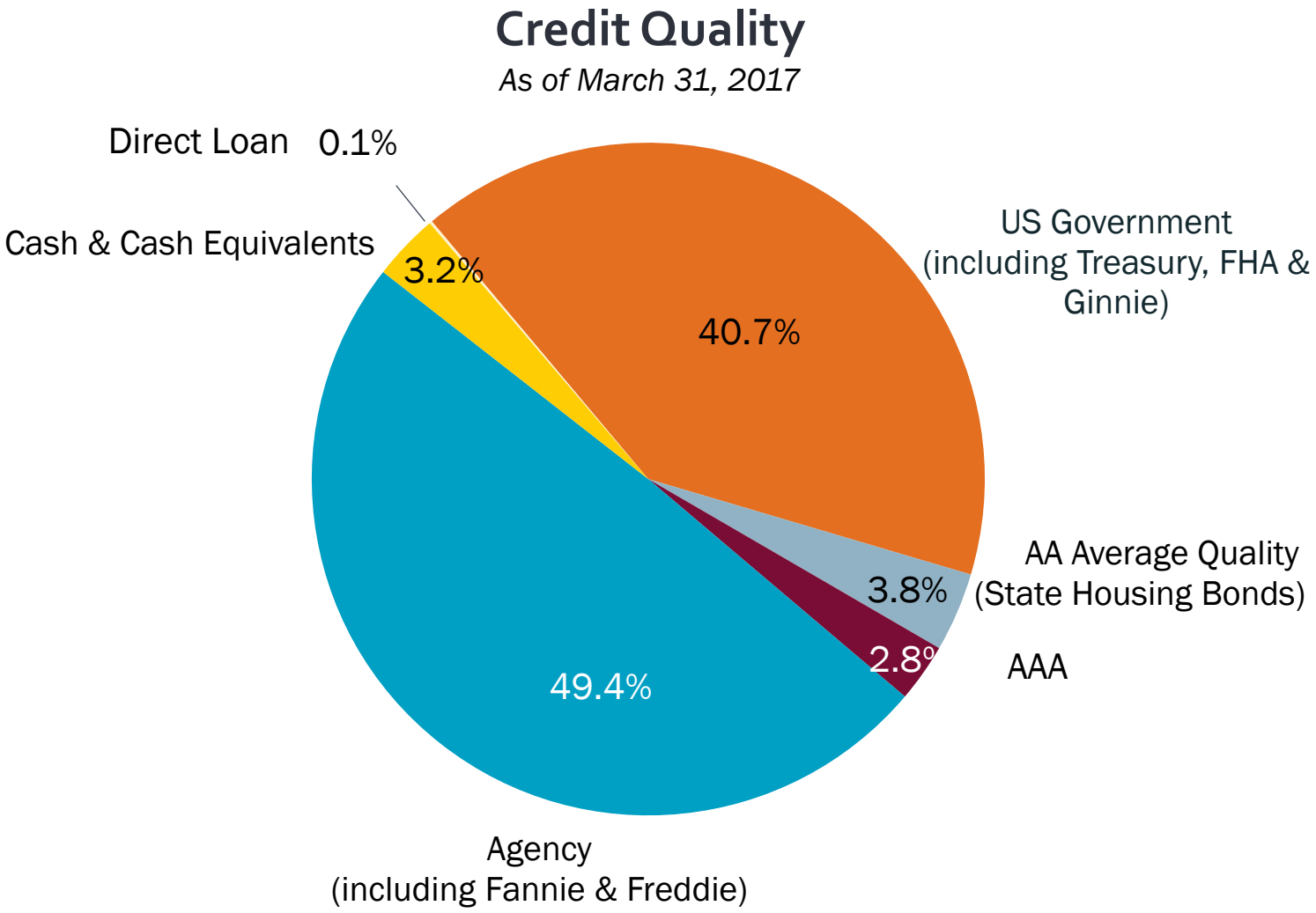
Risk characteristics are actively measured, monitored and managed relative to the benchmark, the Barclays Aggregate

- **Lower credit risk – Higher credit quality**
  - Government/agency MBS
  - Substitutes call-protected multifamily MBS for corporate debt and some Treasuries and agency debt
  - No derivatives
  - No leverage through borrowing
- **Similar interest rate risk**
  - Duration and convexity similar to the benchmark
- **Strong liquidity**
  - More than 99% invested in liquid securities

Oversight Committees comprised of senior management

- **Portfolio Management Committee**
  - Sets portfolio macro-strategy and oversees Portfolio Management Group (PMG), monitors trading matters, approves counterparties
- **Investment Committee**
  - Reviews and approves all commitments related to construction, including pricing by PMG
  - Board of Trustees Executive Committee approves all transactions greater than $75 million
- **Valuation Committee**
  - Monitors HIT's valuation process including reliability of pricing by independent sources, appropriateness of valuation methodologies, and determination of fair value under Board-approved policies and procedures

High Credit Quality: 96% Government/Agency/AAA/Cash

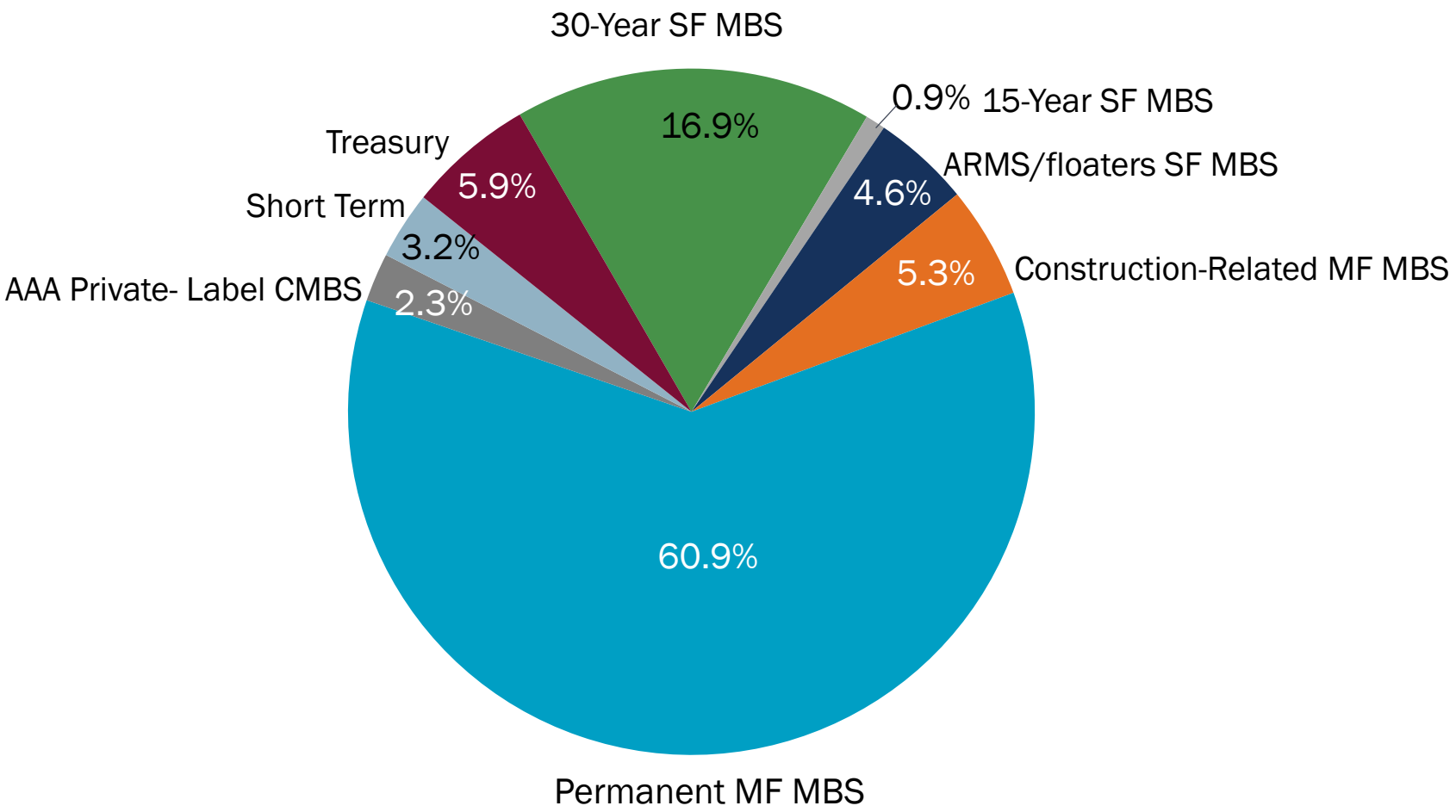


Based on total investments and including unfunded commitments.

Overweight to Multifamily Sector: 66% Allocation

Sector Allocation

As of March 31, 2017



Based on total investments and including unfunded commitments.

HIT Offers Diversification Benefits

Correlation of Monthly Year-over-Year Changes in Indices vs. HIT

Periods ending December 31, 2016

Asset	Five Year	Ten Year
HIT (net)	1.00	1.00
Bloomberg Barclays US Aggregate Bond Index	0.99	0.96
Bloomberg REIT Index	0.54	0.07
U.S. Standard & Poors 500 Index	-0.38	-0.18
United Kingdom FTSE 100 Index	-0.40	-0.05

With its negative correlation to equities, the HIT provides diversification benefits, as shown above. Despite its lack of exposure to corporate bonds, the HIT's returns are highly correlated with its benchmark, the Barclays Aggregate.

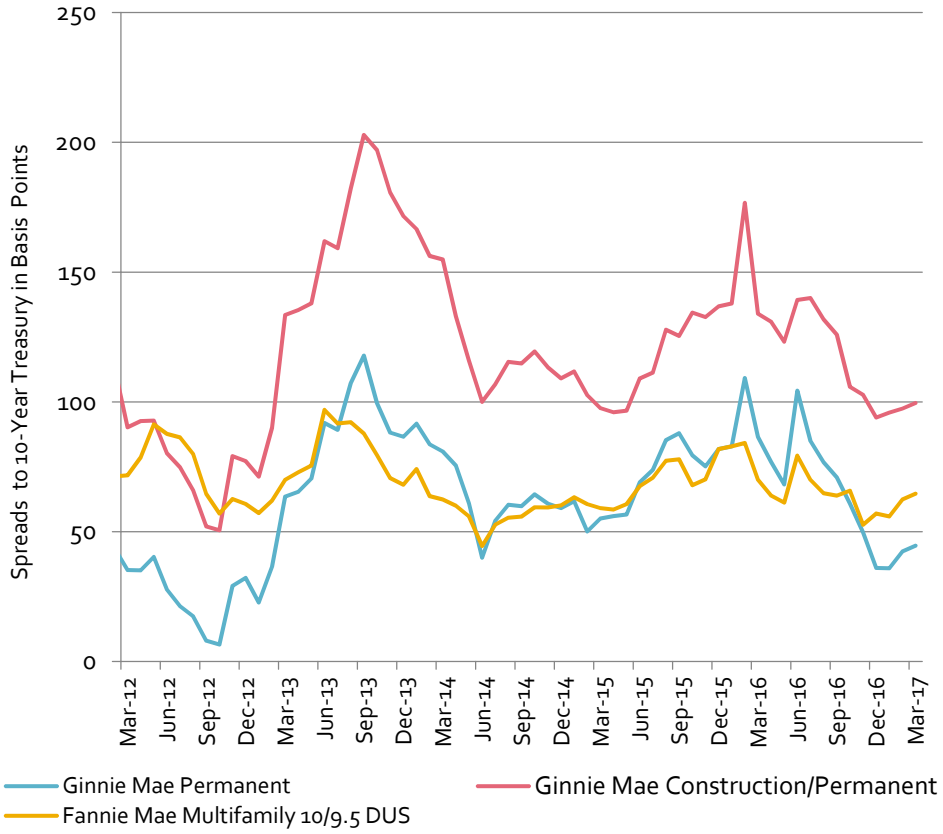
Updated semiannually

Source: Haver Analytics, Bloomberg LP, Barclays Live, and the HIT

Multifamily Focus: Attractive Spreads

Historical Multifamily Spreads

March 2012 - March 2017



Source: HIT and Securities Dealers

Construction-related GNMA MBS convert to permanent MBS, with the potential for significant price appreciation.

Investment Comparison

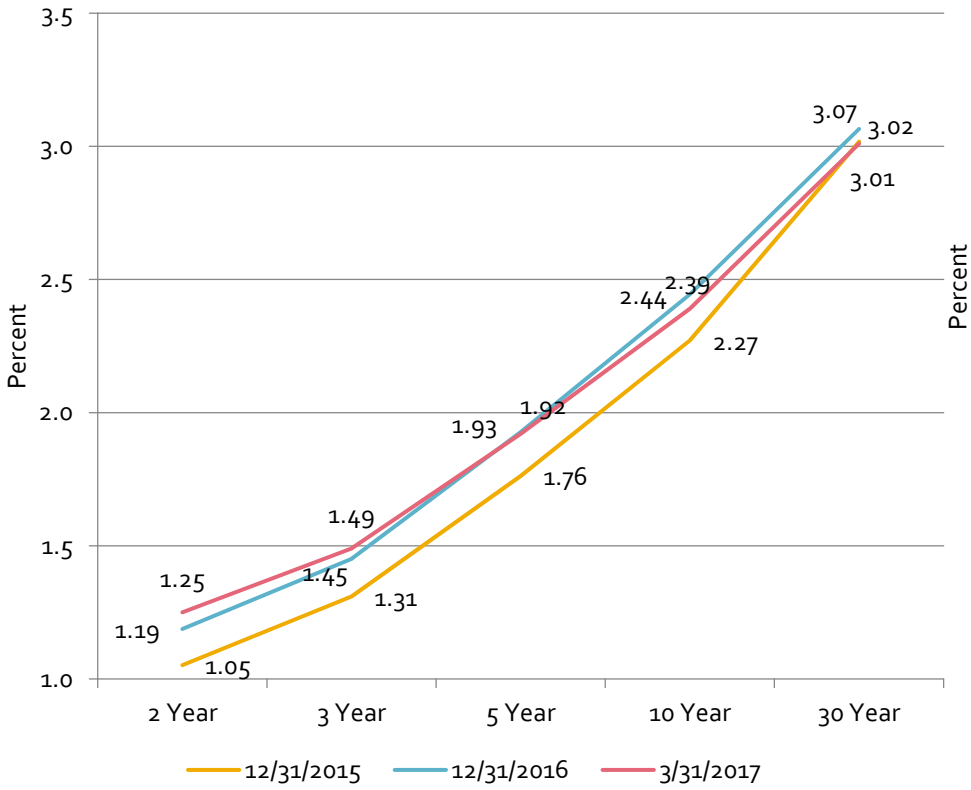
As of March 31, 2017

Investment Type	Effective Duration	Effective Convexity	Yield (%)	Spread to 10-Year (bps)
10 Year UST	8.93	0.45	2.40%	0
GNMA Construction/Permanent	9.02	0.49	3.39%	100
GNMA Permanent	8.15	0.40	2.84%	44
Agency CMBS	8.87	1.06	3.51%	111
FNMA Multifamily 10/9.5 DUS	7.80	0.37	3.04%	64
FNMA 3.0% 30yr MBS	6.33	-1.65	3.10%	70
Gold (Freddie Mac) 3.0% 30yr MBS	6.31	-1.63	3.12%	72
GNMA 3.0% 30yr MBS	5.35	-1.54	2.84%	44
Barclays Corporate AAA Index	10.43	2.03	3.13%	73

Multifamily construction-related loan spreads remain higher than permanent loan spreads and some other high credit quality options.

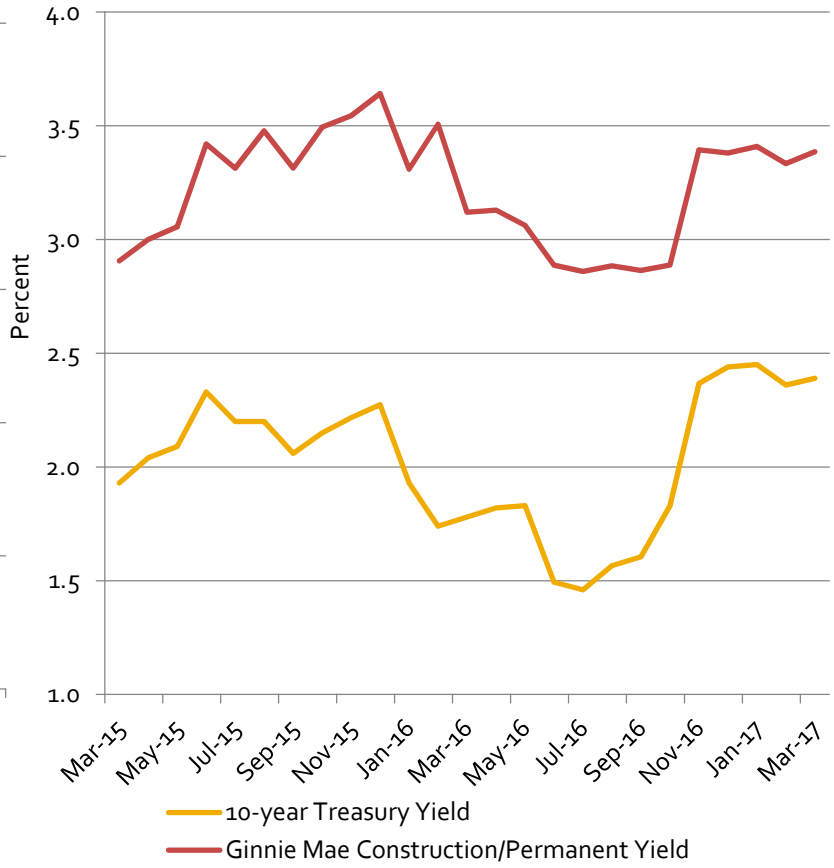
Interest Rate Environment

U.S. Treasury Yield Curve Shift



Treasury rates fell for most of 2016,rose significantly after the November elections, and changed little during the first quarter of 2017.

10-Year Treasury vs. Ginnie Mae Construction/Permanent MBS Yields

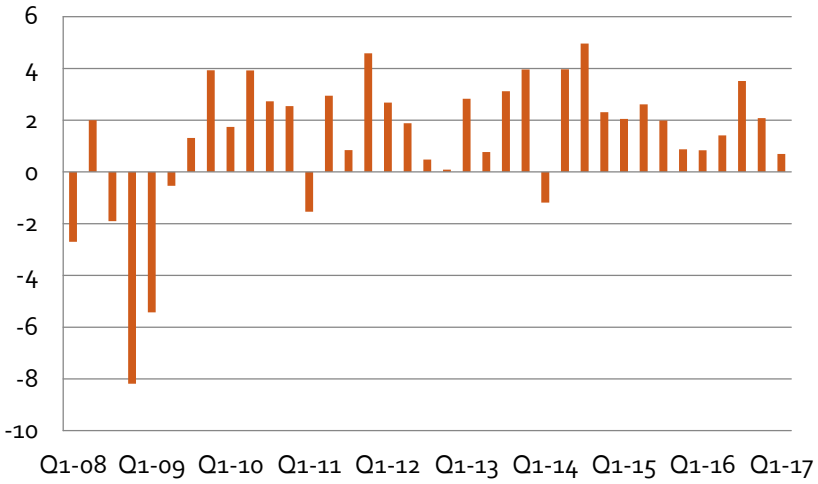


Yields on Ginnie Mae Construction/Permanent MBS are close to mid-2015 levels.

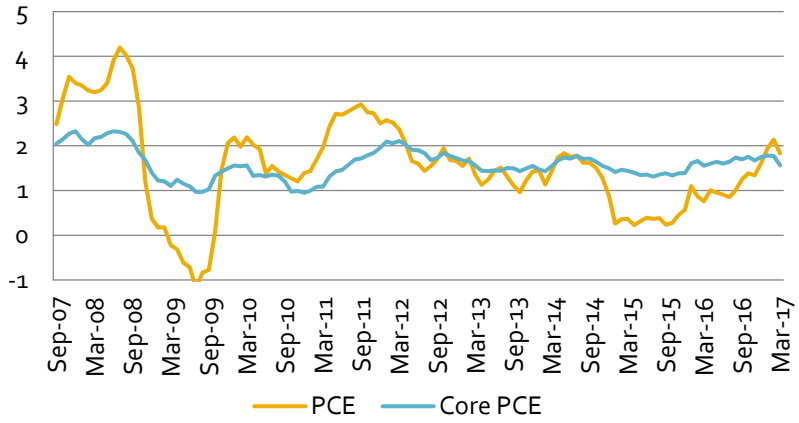
Source: Bloomberg and the HIT

Modest but Steady Growth and Low Inflation Have Characterized this Recovery

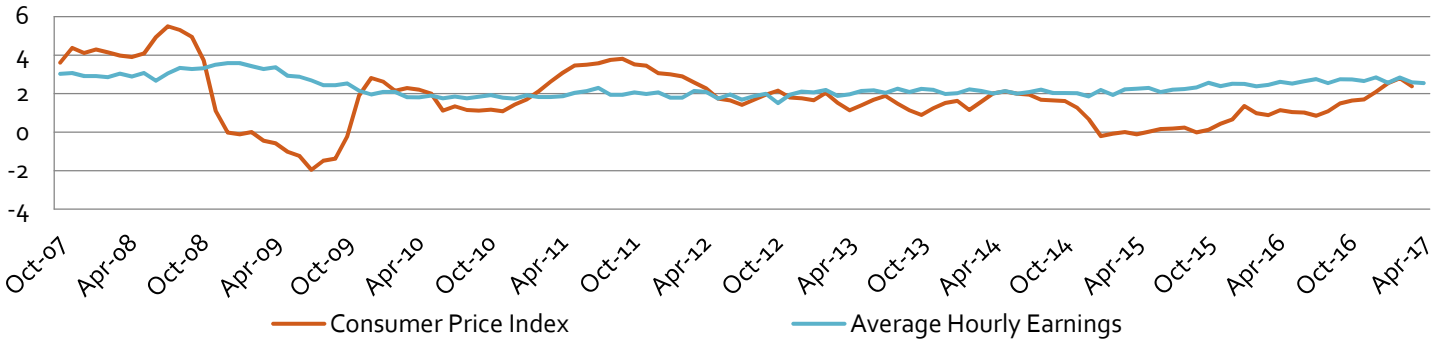
The Third Longest Economic Expansion since 1850
(Real GDP percent change at an annual rate)



Inflation Remains Below the Fed's Target of 2 (yearly percent change)



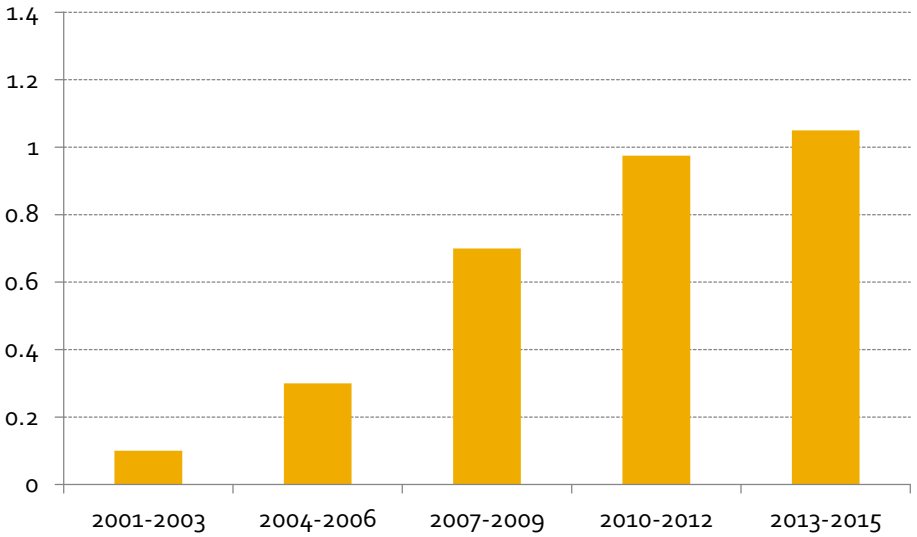
Wage Growth Remains Weak
(yearly percent change)



Source: Bureau of Labor Statistics

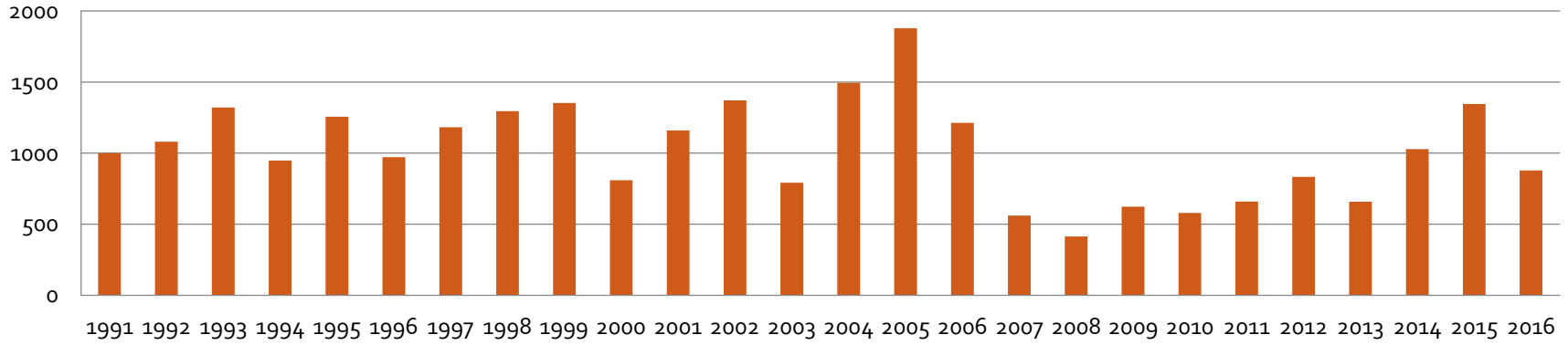
Economy and Demographics Favor Rental Demand

Average Annual Growth in Rental Households
(millions)



Average Annual Growth in Home Owners
(millions)

Household Formation
(thousands of new households)



Source: top, US Census Bureau; bottom, US Census Bureau and Haver Analytics (adjusted for breaks in data).

Strong Demand for Multifamily Housing

- Americans switching to renting vs. owning
- Still difficult to access mortgage credit for single family home buyers
- Particular need for affordable housing
- Demographics/household formation
- Rehab opportunities: aging multifamily projects will need substantial rehab in dense urban markets
- Migration into major cities and limited land – need to build up
- Time horizon – multifamily demand expected to be strong and ongoing for the foreseeable future

HIT Positioned Well in the Current Environment

- Despite recent increases in inflation expectations, inflation is still running below central bank targets around the world; global economic activity and geopolitical disruptions may weigh on growth.
- Trajectory for future fed funds rate hikes likely to be gradual, with expectations for two additional increases this year. Many other central banks are remaining accommodative by keeping current policies on hold.
- High credit quality government/agency multifamily MBS offer relative value, with higher yields and lower credit risk than many other investment alternatives.
- Strong demand for rental and affordable housing expected for many years. This should help build the HIT's pipeline of investments to execute its strategy.
- Outlook is for steady growth of assets and investors based on the HIT's long track record of competitive returns and its ability to create jobs and stimulate local economies.

HIT and UFCW

The HIT invested $41 million to help finance The Penfield, a new $63 million mixed-use building with 254 units in downtown St. Paul, MN. The first floor includes a Lunds grocery store, whose employees are represented by United Food and Commercial Workers, Local 1189.

In San Jose, CA, the HIT provided $25 million for the $63 million substantial rehabilitation of 165 affordable senior housing units at Casa del Pueblo, owned by UFCW Local 5 and connected to its long-time headquarters.

"The great partnership between Local 5 and the AFL-CIO Housing Investment Trust will continue to protect affordable housing for low-income seniors and create hundreds of good paying union construction jobs."

–John Nunes, President, UFCW Local 5

Competitive Returns and Collateral Benefits through Directly Sourced Multifamily Investments

The HIT offers investors:

Competitive Returns

Low Risk Liquid Investment

Diversification

Construction Jobs

Affordable Housing

Hunter's Point South - Building A
Queens

Portner Flats
Washington, DC

Paseo Verde
Philidelphia

Old Colony
Boston

Contact Information

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csuh@aflcio-hit.com

Kevin Murphy, *Regional Marketing Director*
kmurphy@aflcio-hit.com

Investors should consider the HIT's investment objectives, risks and expenses carefully before investing. A prospectus containing more complete information may be obtained from the HIT by calling the Marketing and Investor Relations Department collect at 202-331-8055 or by viewing the HIT's website at www.aflcio-hit.com. The prospectus should be read carefully before investing.

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