Real Estate Debt Fund

Market Overview

The long-term secular drivers fueling US residential real estate—particularly the supply/demand imbalance and the need for renovation capital—remained intact during the second quarter, providing a secular opportunity in value-add real estate secured lending over the coming decade.

Focused on experienced borrowers in target markets, there is a constructive backdrop for capital deployment in residential transitional loans (RTLs) and land banking, a niche segment of the private credit market—distinct from the more widely known direct lending corporate credit market—that has grown dramatically over the past five years. While the RTL and land-banking segments have matured during this time frame, with the advent of rated securitizations that we often invest in, we believe there is still tremendous opportunity due to high barriers to entry, attractive rates and robust monthly cash flow.

Housing Gap Remains Significant amid Softening Market

Nationally, we see a supply shortage of housing in the US, driven initially by the lack of building following the global financial crisis. In the 15 years since, chronic underbuilding widened this housing gap to create a shortage of an estimated 3.8 million housing units nationwide, when accounting for pent-up demand from the 1.6 million younger adults who would form households if they could afford to do so.[1]

Meanwhile, dynamics in the existing-home market—which accounts for the vast majority of US housing market activity—have further exacerbated the overall supply/demand imbalance. While the 30-year fixed rate mortgage ended the second quarter at 6.77%, down slightly from where it began 2025, it remains well above the average rate on outstanding mortgages.[2] This "lock-in effect"—in which homeowners' existing mortgage rate is significantly lower than the rate currently available—has made homeowners reluctant to sell and take on a dramatically higher mortgage rate. As a result, supply became further constrained since the 2022 rate rise, with expectations of only marginally lower mortgage rates over the next one to two years. Though the inventory of existing homes for sale increased from pandemic lows, we are still below long-run averages and the six months of supply widely considered to be the equilibrium level. Today we stand closer to 4.5 months of supply nationally; our ability to actively allocate among markets enables us to take advantage of this supply shortfall by investing in markets that are even more constrained than average.[3]

The median age of owner-occupied homes, at 41 years nationally, shows that the existing housing stock provides further opportunity to deploy capital to experienced developers that can renovate homes within existing communities, which are frequently selling at attractive price points relative to new homes.[4] Home-improvement spending is up nearly 50% over the past five years, and we expect the persistent need for renovation capital to help support demand for RTLs.[5]

While affordability continues to be an impediment to increased home sales, recent economic data shows that existing home sales stayed flat over the past several months, at around four million sales.[6] Additionally we expect that home-price appreciation will continue to moderate from the extremes of the Covid-19 era due to the recent increases in inventory; that said, inventory remains below pre-pandemic levels while the population has grown 2.6%.[7] While affordability is a concern we monitor very closely, other mortgage data show some positive trends, such as strong year-over-year growth in the MBA Purchase Index, which measures the volume of mortgage applications for home purchases. Though strong year-over-year home sales increases normally coincides with growth in the index, we have yet to see this materialize.[8] We anticipate that a rate rally may alleviate some affordability pressure, with broad consensus that mortgage rates retracing to 5.5% will unleash significant housing demand.[9]

While it is apparent that housing and the underlying mortgage market can be complex and highly dynamic, our team has spent more than 20 years immersed in almost all mortgage asset classes. We are leveraging this experience in both public and private mortgage credit to offer an investment strategy that may benefit from attractive yields in our private credit portfolio of RTLs and land banking in an effort to reallocate our 5–10% monthly cash flow into dislocated public securities markets. We believe an extensive history in both private and public

1. Source: Realtor.com; data as of March 10, 2025.
2. Source: Freddie Mac; data as of June 26, 2025.
3. Source: National Association of Realtors; data as of July 23, 2025.
4. Source: National Association of Homebuilders; data as of April 8, 2025.
5. Source: Harvard Joint Center for Housing Studies; data as of June 30, 2025.
6. Source: National Association of Realtors; data as of July 23, 2025.
7. Source: US Census Bureau; data as of December 31, 2024.
8. Source: Mortgage Bankers Association; data as of July 23, 2025.
9. Source: Morgan Stanley, data as of March 21, 2025.

mortgage credit is differentiated and leveraging those disciplines in our interval fund offers investors the potential for high-quality distribution yields and long-term total returns.

Emphasis on Residential Transitional Loans in Early Days of Fund

The Real Estate Debt Fund launched March 31, 2025. Institutional shares returned 2.02% during the second quarter, and the annualized distribution rate stood at 8.08% as of quarter-end.

The portfolio's allocation to date has been focused exclusively on residential transitional loans, as the relatively small size of these deals facilitates portfolio diversification while their short durations may provide opportunities to redeploy capital as market opportunities shift. For example, 19% of the loans in the portfolio were paid off during the second quarter; the 64% average loan-to-value of these renovated properties at the time of sale implies both attractive margins for the developers and a significant equity cushion for us as lenders as a result of our conservative underwriting standards.

At the end of the quarter, the portfolio's largest exposures were to RTLs in California, Texas and New York, reflecting our conviction in markets where housing demand remains resilient and renovation economics are compelling. In contrast, we had no or limited exposure to states in the Midwest and parts of the Southeast, where demographic trends and local supply dynamics have made it difficult to underwrite what we consider attractive risk-adjusted returns. Of course, all real estate is local, and the health of housing markets can vary significantly not just across states but also within them, necessitating a highly selective approach to location. Large inventory increases in hot metro areas like Denver and Austin, for example, have translated into weaker demand and a higher rate of price cuts.[10] Even within supply-constrained markets, it's been our experience that the fate of individual properties can differ, which is why we choose to work with experienced developers with an intimate knowledge of the markets in which they operate.

As we achieve scale in our capital base, we would expect to broaden the portfolio's exposure to include other elements of our mandate's opportunity set, including land-banking transactions and public structured credit.

Through land banking, we seek to support the inventory-management efforts of publicly listed developers by providing off-balance-sheet financing for the acquisition of raw land and the development of buildable lots. The process of preparing raw land for construction can take up to two years, and land-banking arrangements allow us to help developers maintain a robust development pipeline without compromising liquidity and financial flexibility.

We typically approach the public market—which can include investments in areas such as credit-risk transfers (CRTs), non-qualifying mortgages and mortgage insurance-linked notes—on an opportunistic basis. These instruments can offer compelling value during periods of market dislocation, as liquidity-driven selling or technical imbalances create attractive entry points. While current spreads remain tight, we remain patient and prepared to increase exposure when conditions warrant. In the meantime, we remain focused on our goal of generating attractive current income through disciplined underwriting of short-duration, cash-flowing opportunities in RTLs and land banking.

10. Source: Realtor.com; data as of July 8, 2025.

Average Annual Returns

Data as of 30-Jun-2025

	Calendar YTD	1 Year	Since Inception	Gross Expense Ratio[1]	Net Expense Ratio	Adjusted Expense Ratio[2]	Fund Inception Date
Class I (FERLX)	-	-	2.02%	6.83%	2.83%	0.25%	Mar 31, 2025

The performance data quoted herein represents past performance and does not guarantee future results. Market volatility can dramatically impact the fund's short term performance. Current performance may be lower or higher than figures shown. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Past performance data through the most recent month end is available at www.firsteagle.com or by calling 800-334-2143. The average annual returns are historical and reflect changes in share price, reinvested dividends and are net of expenses. Class I shares require $1MM minimum investment and are offered without sales charge.Operating expenses reflect the Fund's total annual operating expenses for the share class of the Fund's most current prospectus, including management fees and other expenses.

1. First Eagle Investment Management, LLC (the "Adviser") has contractually undertaken to waive and/or reimburse certain fees and expenses of the Fund so that the total annual operating expenses (excluding interest, taxes, brokerage commissions, acquired fund fees and expenses, dividend and interest expenses relating to short sales, and extraordinary expenses, if any) ("annual operating expenses") of the Class A-2, Class A-3, Class A-4 and Class I shareholders are limited to 1.00%, 1.00%, 0.75% and 0.25%, respectively, of average net assets. This undertaking lasts until 30-Apr-2026 and may not be terminated during its term without the consent of the Board of Trustees. The Fund has agreed to repay the Adviser for fees and expenses waived or reimbursed for the class provided that repayment does not cause annual operating expenses (after the repayment is taken into account) to exceed either: (1) 1.00%, 1.00%, 0.75% and 0.25% of the class's average net assets, respectively, or (2) if applicable, the then-current expense limitations. Any such repayment must be made within three years after the date on which the Fund incurred the fee and/or expense and is limited to the lesser of (1) the expense limitation in effect at the time of waiver, and (2) the expense limitation in effect at the time of recapture. Additionally, the Adviser has agreed to pay the Fund's organizational and offering costs until effectiveness of the Fund's registration statement and such costs will not be recoupable by the Adviser.

2. The Adjusted Expense Ratio excludes certain fees and expenses, such as interest expense and fees paid on Fund borrowings and/or interest and related expenses from inverse floaters.

Investments are not FDIC insured or bank guaranteed and may lose value.

Risks

All investments involve the risk of loss of principal.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

The information is not intended to provide and should not be relied on for accounting or tax advice. You should consult your tax advisor regarding the US federal, state, local and foreign income and other tax consequences to you of the acquisition, ownership and disposition of shares in First Eagle Real Estate Debt Fund (the "Fund").

An investment in the Fund involves a number of significant risks. Before you invest, you should be aware of various risks, including those described below. For a more complete discussion of the risks of investing in the Fund, see the Fund's prospectus under the heading, "Principal Risks of the Fund."

There is no assurance that the Fund will be able to maintain a certain level of distributions, if any, to the holders of shares of the Fund.

The Fund's shares are not listed for trading on any national securities exchange and no market is expected to develop for them. There is no guarantee that you will be able to sell your shares at any given time or in the quantity that you desire.

An investment in the Fund is not suitable for investors who need certainty about their ability to access all of the money they invest in the short term.

The Fund is a newly organized, non-diversified closed-end investment company with no history of operations and is subject to all of the business risks and uncertainties associated with any new business.

The Fund's failure to qualify as a REIT would subject the Fund to US federal income tax and potentially increased state and local taxes, which would reduce the amount of the Fund's income available for distribution to the Fund's Shareholders.

Investors should carefully consider the Fund's risks and investment objective, as an investment in the Fund may not be appropriate for all investors and is not designed to be a complete investment program, including that because of the risks associated with (i) the Fund's ability to invest in below-investment grade or unrated securities or instruments, and (ii) the Fund's ability to use leverage, an investment in the Fund should be considered speculative and involving a high degree of risk, including the risk of a substantial loss of investment.

The Fund will concentrate (i.e., invest more than 25% of its assets) its investments in the real estate industry. As such, its portfolio will be significantly impacted by the performance of the real estate market and may experience more volatility and be exposed to greater risk than a more diversified portfolio.

Below investment grade securities or comparable unrated instruments may be subject to greater risks than securities or instruments that have higher credit ratings, including a higher risk of default, and the Fund might have difficulty selling them promptly at an acceptable price. Investments in loans potentially expose the Fund to the **credit risk** of the underlying borrower, and in certain cases, of the financial institution. The Fund's ability to receive payments in connection with the loan depends primarily on the financial condition of the borrower. Even investments in secured loans present risk, as there is no assurance that the collateral securing the loan will be sufficient to satisfy the loan obligation. The market for certain loans is expected to be illiquid and the Fund may have difficulty selling them. In addition, loans often have contractual restrictions on resale, which can delay the sale and adversely impact the sale price. Investments in debt securities and other obligations of companies that are experiencing significant financial or business distress involve a substantial degree of risk, including a **material risk that the issuer will default** on the obligations or enter bankruptcy. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed assets is unusually high.

Investors may not have access to all share classes at certain financial intermediaries. Please consult your financial professional for more information.

Definitions

Land banking is a financing agreement through which a capital provider, for a fee, acquires and holds a property on behalf of a homebuilder that has agreed to purchase lots on the property on a predetermined schedule. **Residential transitional loans (RTLs)** are short-term loans to real estate developers for the purpose of renovating a residential property. The loans are secured by the property being renovated. **Loan-to-value (LTV)** is the ratio of a loan's amount to the value of the asset it is used to purchase. **Private credit** refers to a loan agreement between a borrower and single or small group of nonbank lenders. Private credit can also be referred to as "direct lending" or "private lending." **Direct lending** refers to a loan agreement negotiated between a borrower and single or small group of nonbank lenders. Direct lending can also be referred to as "private credit" or "private lending." **Structured credit** is a financial instrument that pools together groups of similar, income-generating assets. **Credit-risk transfer (CRT)** securities are synthetic securitizations that reference the credit risk of a designated group of mortgage loans guaranteed by Fannie Mae and Freddie Mac.

MBA Purchase Index, compiled by the Mortgage Bankers Association, measures the level of mortgage loan applications for single-family home purchases.

Additional Disclosures

Third-party marks are the property of their respective owners.

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First Eagle Investments is the brand name for First Eagle Investment Management, LLC and its subsidiary investment advisers.

Napier Park is the brand name for one of the subsidiary investment advisers engaged in the alternative credit business.

Investors should consider investment objectives, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about our funds and may be viewed at www.firsteagle.com. You may also request printed copies by calling us at 800-747-2008. Please read our prospectus carefully before investing.

First Eagle Funds are offered by **FEF Distributors, LLC**, a subsidiary of First Eagle Investment Management, LLC, which provides advisory services.

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