

Real Estate Debt Fund

Market Overview

The latent demand for housing resulting from the chronic US housing shortage and commensurate affordability crisis came into sharp focus in the third quarter.

With mortgage rates easing toward the low 6% level in September—in line with January 2023 rates but still elevated compared to those that prevailed through most of the post-global financial crisis era—market data such as mortgage applications and new-home sales showed an appreciable uptick in activity.¹ In our view, such a reaction to what was a relatively minor rate move underscores the pent-up demand for housing in the US and the ongoing need for capital to refurbish existing homes and to develop lots for new homes—durable tailwinds we believe that are supportive of our strategy.

Housing market dynamics combined with the retreat of traditional banks from construction lending, in our view, have created a supportive backdrop for nonbank providers of capital to the real estate industry. This includes capital to finance residential transitional loans (RTLs)—short-duration, value-add renovation loans—and land-banking arrangements—off-balance-sheet financing provided to publicly listed developers for the acquisition of raw land and the development of buildable lots. These niche segments of private debt, which are distinct from more widely known corporate direct lending activities, have grown dramatically over the past five years, and we believe they continue to offer tremendous opportunity due to high barriers to entry, attractive yields and robust monthly cash flow.²

Housing Demand Perks up Slightly Amid Easing Mortgage Rates

Household formation in the US has consistently outpaced housing starts since the global financial crisis, resulting in a housing gap estimated at 3.8 million units nationwide.³ This trend will not easily be reversed; in fact, with household formation expected to grow at a 12% rate in the 2020s—compared to 9% in the 2010s and 11% in the 2000s—significant supply is needed merely to maintain the current gap.⁴

The recent behavior of new-home sales, which delivered their highest monthly reading since January 2022, is a good illustration of the pent-up demand for housing.⁵ Though mortgage rates remain

high compared to post-crisis history, a decline of nearly 50 basis points during the period to 6.30% drove a significant improvement in activity, suggesting to us that the so-called “magic level” of rates that unleashes demand may be higher than previously thought, perhaps closer to 6.0% or 6.25% rather than 5.5%.⁶ Some of the buying during the period also can be attributed to the incentives—such as reduced in-house mortgage rates or cash toward closing costs—being offered by 65% of builders.⁷

The existing-home market, which accounts for the vast majority of US housing market activity, was less responsive to the quarter’s lower rates. The most recent data reported 4 million sales in August, which is more or less consistent with the monthly sales levels seen since late 2022. It is also among the lowest readings in the twenty-first century excepting two brief anomalies related to the dislocations of the global financial crisis and Covid-19.⁸

With 72% of homeowners carrying mortgages at or below 5%, the “lock-in effect” remains intact, and the inventory of existing homes for sale, while well off pandemic-era lows, has yet to reclaim pre-Covid levels. At 4.6 months at a national level, supply remains shy of the six months widely considered to be equilibrium; however, the fund’s ability to rotate efficiently between various US markets in both RTL and land banking provides us opportunities to invest in markets where the shortfall in supply is even more pronounced.⁹

Given that the median age of owner-occupied homes is 41 years, many of the homes that do change hands are in need of renovation; we see significant opportunity to lend capital to experienced developers that can renovate homes within existing communities, which are frequently selling at attractive price points relative to new homes.¹⁰ Transitional lending activity represented a healthy 7.4% of total home sales in the latest reading, and we expect the demand for renovation capital to persist.¹¹ That said, steadily declining profit margins on these sales highlight the importance of working with seasoned developers

1. Source: US Census Bureau; data as of September 17, 2025.

2. Source: Goldman Sachs; data as of April 18, 2024.

3. Source: Realtor.com; data as of March 10, 2025.

4. Source: Zelman Housing Report; data as of September 1, 2025.

5. Source: Federal Reserve Bank of St. Louis; data as of September 30, 2025.

6. Source: Freddie Mac; data as of September 25, 2025.

7. Source: National Association of Home Builders; data as of September 24, 2025.

8. Source: National Association of Realtors; data as of September 25, 2025.

9. Source: Federal Reserve Bank of New York; data as of September 30, 2025.

10. Source: National Association of Homebuilders, American Community Survey; data as of April 8, 2025.

11. Source: ATTOM; data as of September 19, 2025.

whose institutional approach is more likely to avoid the performance degradation that can challenge newer, less experienced market participants.¹²

Affordability remains a key headwind to home sales, and there is some hope that the Federal Reserve's accommodative shift may help further ease the impact of high mortgage rates. The central bank cut its policy rate by 25 basis points in September, and markets currently are pricing in two more such cuts by year end.¹³ While the federal funds rate has only an indirect impact on mortgage rates, lower short rates tend to weigh on rate volatility overall, which may promote continued tightening in the spread between the 30-year fixed rate mortgages and the 10-year Treasury. This spread rose sharply as financial conditions grew less accommodative post-pandemic and ultimately peaked at more than 300 basis points in mid-2023. Though it has narrowed significantly to 226 basis points, continued spread tightening toward the historical average around 170 to 175 basis points would benefit homebuyers even without the assistance of a rally in the 10-year Treasury.¹⁴

Residential Transitional Loans Provide High Cash Flow and Short Duration

The Real Estate Debt Fund launched March 31, 2025. Institutional shares returned 2.16% with sales charge during the third quarter, and the annualized distribution rate stood at 8.27% as of quarter end.

The portfolio's asset allocation to date has remained focused primarily on residential transitional loans; the relatively small size of these deals facilitates portfolio and geographic diversification, and their short durations and high cash flows provide ample opportunities to redeploy capital as market opportunities shift. Since the portfolio's inception on March 31, 2025, 28% of the loans have paid off at a weighted average loan-to-value ratio of 64%—suggesting attractive margins for the developers and a significant equity cushion for us as lenders as a result of our conservative underwriting standards. Further, the monthly cash flow of 5–10% generated by the loan portfolio provides us with tremendous optionality to dynamically rotate into dislocated public securities markets as conditions warrant.

While our largest RTL exposures were in California, Texas and New York, the portfolio maintained significant geographic diversity across 35 states. We look at our opportunity set as a "market of homes" as opposed to a "housing market"—which is to say that the sluggishness of existing-home sales at the national level doesn't mean that move-in ready, well-priced homes in good neighborhoods are going to sell slowly. As such, we aim to work with experienced developers with an intimate knowledge of the markets in which they operate, and we have seen high sales volumes in the homes our loans have helped renovate. High turnover typically means the loans we write get paid off sooner, resulting in potentially strong cash flows for the portfolio and optionality to redeploy capital.

If there is modest growth in our current AUM, this would enable us to broaden the portfolio's exposure to include land-banking transactions. Through land banking, we work with large, publicly listed homebuilders to provide off-balance sheet financing for the acquisition of entitled and permitted land, increasing the supply 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.

Public securities represent the third and final segment of our opportunity set, and we typically approach this market—which can include investments in areas such as credit-risk transfer (CRT), non-qualifying mortgages and mortgage insurance-linked notes—on an opportunistic basis. While these instruments can offer compelling value during periods of market dislocation, spreads today remain relatively tight in what has been a smoothly functioning market, and we currently maintain only a small, selective exposure.

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 virtually all mortgage asset classes. We believe our extensive history investing in both private and public mortgage credit differentiates us, and our ability to leverage those disciplines in an interval fund offers investors high-quality distribution yields and attractive total returns.

12. Source: ATTOM; data as of September 19, 2025.

13. Source: CME FedWatch; data as of October 13, 2025.

14. Source: FactSet, Freddie Mac, Zelman & Associates; data as of September 1, 2025.

Average Annual Returns

Data as of 30-Sep-2025

	Since Inception	Gross Expense Ratio ¹	Net Expense Ratio	Adjusted Expense Ratio ²	Fund Inception Date
Class I (FERLX)	4.22%	6.83%	2.83%	0.25%	Mar 31, 2025

The performance data quoted herein represent past performance and do 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 are available at www.firsteagle.com. Class I Shares require \$1MM minimum investment and are offered without sales charge. There is no minimum subsequent investment amount for Class I Shares. Operating expenses reflect the Fund's total annual operating expenses for the share class as 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.

Operating expenses reflect the Fund's total annual operating expenses for the share class as of the Fund's most current prospectus, including management fees and other expenses. 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

Federal funds rate is the interest rate at which depository institutions (banks and credit unions) lend reserve balances to other depository institutions overnight on an uncollateralized basis. **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. A **real estate investment trust (REIT)** is a company that owns and typically operates income-producing real estate or related assets. These may include office buildings, shopping malls, apartments, hotels, resorts, self-storage facilities, warehouses, and mortgages or loans. **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." **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. **Spread** typically is used to express the difference between two interest rates. **Duration** is a measure of a bond price's sensitivity to changes in interest rates. **Weighted average duration** is the average duration—i.e., sensitivity to changes in interest rates—of a portfolio of bonds based on their relative weightings within the portfolio.

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.