

First World Hybrid Real Estate Plc – Update September 2026

FWHRE continues to deliver resilient returns, supported by positive contributions from both the direct property and listed REIT portfolios. The Fund returned 7.2% for the 12 months to September and 5.1% for the first nine months of the 2026 calendar year. Importantly, the underlying property fundamentals are encouraging. Strong rental growth, lease extensions, and active asset management have also strengthened the Fund's income base and supported valuations. This positive outlook is reinforced by Prologis' agreement to acquire SEGRO, one of the Fund's listed holdings. We see this commitment from the world's largest logistics property company as a strong vote of confidence in the quality and long-term value of UK warehouse and distribution property. Together, these developments bode well for the Fund's income and growth prospects in the years ahead.

As the table illustrates, the improvement in returns since 2025 reflects how significantly the environment for property has changed. Property weathered a significant storm from 2022 to 2024 when UK inflation spiked to 11.2% and the Bank of England's policy rate increased rapidly, from 0.1% to 5.25%, in less than 24 months. While the rental generated by property remained robust, the pricing of property, including REITs, adjusted to this sharp increase in interest rates. Since then, inflation has moderated from 11.2% to 3.1%, and the base interest rate has declined from 5.25% to 3.75%. Geopolitical events and higher oil prices during 2026 have curtailed the continued downward trend in inflation towards the 2% target level but this is likely to be temporary and, once achieved, a neutral base rate in the low 3s is likely and this will provide good support for property pricing. In the interim, the Fund remains well positioned to deliver attractive and growing income which will be supportive of valuations.

Year	Return (GBP) Class A
2021	17.0%
2022	-2.9%
2023	-1.8%
2024	-0.4%
2025	8.7%
2026 (YTD: Sept 26)	5.1%

Source: Bloomberg

Why property remains attractive

Property as an asset class

Property has two important characteristics for long-term investors: it is a tangible asset with enduring economic utility, and it produces contractual income through rent. The quality of that income depends on the strength of the tenants, the length and structure of the leases, and the prospects for rental growth. When these fundamentals improve, the value of the underlying property should also strengthen over time. This is particularly relevant to FWHRE, where the direct property portfolio is let to financially strong tenants, has a weighted average unexpired lease term of almost eight years, and is showing evidence of strong rental growth. Together, these factors provide good visibility over future income.

Why UK commercial property remains attractive

The UK remains an attractive and well-established market for commercial property investment, supported by transparent legal frameworks, secure property rights and high standards of governance and professionalism. Lease structures are also favourable to landlords: leases are typically long, while tenants are generally responsible for operating costs such as rates, insurance, and maintenance. This improves the predictability of net rental income. The Fund's largest exposure is to distribution warehousing, where the underlying occupational market remains supportive. Demand has been strong while new supply remains constrained. This combination should continue to support rental growth, which is a key driver of property values.

Direct Property – rental growth and leasing outcomes underpinning performance and valuations

The direct property portfolio continues to perform well, with the investment case being driven primarily by occupier demand, rental growth, and active lease management rather than by an assumption of lower property yields. This is important because it means that recent improvements in value have been supported by underlying cash flows. The Fund has no less than ten lease initiatives (rent reviews and lease extensions), under negotiation, providing further opportunities to increase income and strengthen lease duration.

Rental growth continues

- In **2025**, five leases representing 23% of portfolio rent were settled at an average rental increase of 17%.
- During **2026 (YTD)**, four leases representing 17% of portfolio rent have been settled at an average increase of 14%.
- Across the entire portfolio, market rents are estimated to be approximately 7% above passing rents, providing further income upside as leases are reviewed or renewed.
- In the next 12 months, there are seven leases representing 19% of portfolio rent, where the rent is due to be reviewed. An average increase of approximately 23% is expected.

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Lease extensions and asset management remain positive

- In **2025**, tenant break options were removed at two properties, extending the leases by three and five years respectively, while a new 25-year lease was agreed with Burger King at Marina Quay.
- During **2026**, the Vanquis Bank lease was extended by five years, increasing the property value by 9.1%. A 20-year lease for EV charging bays at North Durham Retail Park was agreed and will add approximately 4% rent to the property at no capital cost to the Fund. The Home Bargains lease at Milngavie was extended to April 2041, contributing to a 4.7% increase in value. Furthermore, the development of the drive-thru for Burger King at Marina Quay (on a 25-year lease with a circa 8% return on capex) is nearing completion and has generated good incremental value for the property.

Property valuations remain well supported

- Each property is independently valued every six months following its acquisition date, with review of all valuations on 31 August each year (the Fund's financial year end).
- In **2025**, valuation updates resulted in a net £6.3m (3.5%) increase in the direct property portfolio valuation.
- During **2026**, there has been a net £2.4m (1.3%) uplift in property values. While valuation yields have been relatively stable, stronger rents and leasing outcomes have contributed positively.

Interest-rate exposure remains well managed

- The direct property portfolio has a loan-to-value ratio of 48%, equivalent to approximately 42% at Fund level, with 59% of term debt hedged through four interest-rate swaps.
- The Fund's largest hedge (59% of the total hedges) is fixed at 1.05% and has more than five years to maturity. The remaining hedges are closer to the current policy rate and therefore the impact of refinancing risk for the Fund is limited.

Listed REITs – volatility created value, while the recovery supported returns

Listed REIT prices are more volatile than direct property valuations because they respond immediately to changes in bond yields and investor sentiment. After gaining 13% during 2025 and continuing to rise in early 2026, the Fund's REIT portfolio fell by 18% in March as the Middle East conflict emerged. This was followed by strong price recovery in April, June and July but with further price weakness in August and September. The Fund's REIT portfolio has contributed £0.2 million capital upside during 2026, equivalent to 1.2% of its opening value. We remain of the view that REITs seem attractively priced because the underlying companies continue to offer attractive dividend yields, healthy rental growth, and meaningful discounts to net asset value.

The proposed all-share acquisition of Segro by US REIT Prologis is also significant. For context, Prologis is the world's largest logistics REIT and Segro is the UK's largest REIT by a good margin. Apart from the size of the transaction, the offer is at a 39% premium to Segro's closing price the day prior to the offer being made but also at an 8% premium to Segro's reported net asset value. It includes a 25% cash alternative which could amount to as much as £3.5bn. This is particularly encouraging and is evidence of the value seen in UK commercial property, and a vote of confidence in the UK itself, by a very substantial investor. It also suggests that high-quality UK logistics assets may be worth materially more than the prices implied by listed markets. REITs continue to trade on dividend yields well above long-term averages and at discounts to net asset value, leaving scope for further returns from both income and a narrowing of these discounts.

REITs	Dividend Yield		Discount/NAV
	Current	Historic Average (10yr)	
Big Yellow Group	5.7%	3.6%	-36.7%
British Land	5.8%	5.0%	-32.5%
Land Security Group	6.6%	5.9%	-29.2%
London Metric Property Plc	7.0%	4.7%	-11.6%
Segro Plc	3.4%	3.0%	5.3%
Tritax Big Box REIT Plc	5.6%	4.5%	-21.3%
Primary Health Properties	7.9%	5.4%	-7.4%
Average	6.0%	4.6%	-19.1%

Source: Bloomberg

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Summary and outlook:

Property tends to be more resilient and with lower draw down risk than listed equities. This is because of property's combination of tangible asset backing and contractual income. These attributes become increasingly relevant and particularly valuable in times of heightened investment uncertainty and a market where equity returns are increasingly concentrated in a relatively small number of companies.

Against this backdrop, we believe FWHRE offers investors a differentiated source of sterling income, supported by high-quality assets, financially robust tenants, and leases with meaningful duration, together with the potential for moderate capital growth as the property cycle improves. And while the rise in oil prices and the ongoing Middle East conflict may keep inflation above target levels for longer in the near term, we believe this is more likely to delay, rather than reverse, the longer-term downward direction of UK interest rates.

FWHRE remains well positioned and the outlook positive. The direct portfolio is producing rental growth, lease extensions are increasing the certainty of future income, asset-management initiatives are adding value, and the listed REIT portfolio continues to offer attractive income and valuation upside. At the same time, the Fund's debt hedging provides meaningful protection against near-term interest-rate volatility.

Collective investment schemes are generally for the medium to long-term. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at Net Asset Values (NAV) and the First World Hybrid Real Estate Fund (FWHREF) can engage in borrowing. The debt funding will be a maximum of 50% loan to acquisition for each property, for the purpose of achieving its investment objectives. Forward pricing is used. The NAV is calculated weekly. Purchase requests must be received by the manager (FIM Capital) by 17h00 Isle of Man time on a valuation day. Redemption requests must be received by the manager prior to 17h00, five clear Business Days before a Redemption Day as per the Offering Document. FWHRE provides a reasonable but not absolute level of liquidity due to the inclusion of cash and listed REITs in addition to the direct real estate portfolio. Large redemption requests may therefore be scaled over a period to ensure they are not in excess of the maximum permitted redemption percentage. Prices for Class A and B are published on a weekly basis on the Marriott website, www.marriott.co.za. Prices for Class C are published weekly on www.tisegroup.com. Unit trusts are calculated on a net asset value basis. Net asset value is the value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. FWHRE does not provide any guarantees with respect to the capital or the return of the portfolio. A schedule of fees and charges and maximum commissions is available on request from Marriott. Where initial fees are applicable, these fees are deducted from the investment consideration and the balance invested in units at the net asset value. Commissions and incentives may be paid and if so, would be included in the overall costs. Different classes of shares may apply to the Fund and will be subject to different fees and charges. The inclusion of foreign securities in a portfolio are subject to risks including but not limited to potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks and the potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. In addition, investments in the Fund involves a degree of risk and there is no guarantee against loss of a substantial portion of the investment. Declaration of A income Class dividends are quarterly. Performance figures are based on lump sum investment. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. The Manager may close the Fund to new investors when it is reasonable to do so, further details of those considerations can be found in the offering document. The TER shows the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees relating to the management of the portfolio. A higher TER ratio does not necessarily imply poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. Marriott Asset Management (Pty) Ltd, the Representative, is a member of the Old Mutual Investment Group.