Fiera Real Estate Long Income Fund UK

Annual Report and Consolidated Financial Statements

For the year ended 31st March 2023

FIERA REAL ESTATE

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GSK, HARLOW

Fund Manager's Statement

The twelve months under review turned out to be a 'game of two halves' with momentum from the beginning of 2022 carried through into the early summer. However, rising energy prices and wider inflationary pressures, coupled with a nervousness across the industrial sector following Amazon's announcement that it had over expanded through Covid, triggered a loss of investor confidence and the start of a six month period of declining values across the sector.

This pattern was exaggerated in October following the now infamous Truss/Kwarteng *mini-budget* and the resultant pension crisis that followed. As a consequence, Q4 2022 witnessed the single largest quarterly value fall in the history of the MSCI measured market eclipsing that seen during the GFC, post-Brexit vote and initial outbreak of Covid.

By Q1 2023 values had largely stabilised but persistent inflation and rising interest rates continued to weigh heavy on investor sentiment at the end of the period under review.

Notwithstanding macro-economic head winds, the Fund continued to benefit from a clear focus on key strategic income themes throughout the period with the average minimum unexpired lease term increasing from 19.2 to 19.8 years, the INCANS credit score improving from 80 to 84 and the percentage of income subject to either indexation or fixed rental uplifts increasing from 74.6% to 85.9%.

Whilst the Fund's high allocation to industrial served as a negative in the second half of 2022, bottom-up asset management initiatives across this segment led to out-performance in the Fund's largest overweight position. The margin of out-performance, relative to the Fund's MSCI Long Income Property Fund Index benchmark, was further enhanced by a relative underweight to the at risk office and in town retail sectors with a relative overweight to retail warehousing providing a further following wind.

The Fund finished the period under review with a top down sector allocation that should align well with the next phase of the economic cycle. The defensive nature of the portfolio, with all key income metrics enhanced during the 12-month period under review, should also serve FRELIF well.

Asset liquidity and value resilience is further enhanced by the significant progress made across all key ESG workstreams during the period. This is covered in detail in section 4 of this report & accounts.

Rupert Sheldon
Fiera Real Estate
Long Income Co-Fund Manager

Anne-Marie Keane
Fiera Real Estate
Long Income Co-Fund Manager

Fund Summary & Strategic Overview

The Fiera Real Estate Long Income Fund UK ('FRELIF', or the 'Fund') aims to provide investors with returns by acquiring and owning a series of income-producing, predominantly commercial properties which are designed to deliver a long-term income stream and an element of capital appreciation through a core, low risk investment strategy.

Fund Summary

The Fund is open-ended and comprises a Limited Partnership (the "Partnership") which is the main fund vehicle. New investors predominantly invest through one of two feeder funds into the Partnership:

1. Fiera Real Estate Long Income Fund (UK) Trust, an English exempt unauthorised trust (the "Trust")
2. Fiera Real Estate Long Income Fund (UK) Jersey Property Unit Trust (the "JPUT")

The Fund converted to an open-ended structure in February 2016. Since then the investor base has evolved as FRELIF has attracted global capital. In recent years, the Fund has transitioned from a balanced fund into a long income fund culminating in FRELIF's inception into MSCI's UK Long Income Open-Ended Property Fund Index in Q2 2022.

Key Fund Metrics

FRELIF's key objective is to provide investors with exposure to predominantly commercial real estate benefitting from the following attributes: long unexpired lease terms, institutional-grade buildings, low tenant credit risk and progressive income growth characteristics.

The overall target is to deliver an income return to investors between **4.0% - 4.5%*** per annum.

*There is no guarantee that targets will be met.

FRELIF Position (as at 31st March 2023)

3 month performance*

-0.1%

vs Benchmark **-0.7%**

12 month performance*

-11.4%

vs Benchmark **-14.5%**

12 month distribution yield*

3.6%

vs Benchmark **2.8%**

Pricing based on INREV NAV (cap & am)
vs Benchmark which prices on AREF basis (dual pricing).

LP Fund assets under management

£252.5m NAV

Weighted average minimum unexpired lease term ('WAULT')

19.8 years

Percentage of income with indexation/fixed uplifts

85.9%

INCANS Score

84 (BBB-)
80 (BBB-) (2022)

LP cash balance

£21.4m

Fund vacancy (as a percentage of estimated rental value)

0.0%

Number of properties held in the portfolio

30

*Figure stated is for Cornerstone Investor Fee basis

* Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

THE MIDCOUNTIES CO-OPERATIVE, ABINGDON

Strategic Overview

Strategic overweight to industrial sector

41.3%

vs Benchmark 14.8%

Strategic underweight to offices

8.4%

vs Benchmark 21.9%

Initial yield

5.8%

vs Benchmark 5.0%

ESG Highlights

Net zero carbon pathway target

2035

Accredited as a

Real Living Wage Employer

Carbon emissions change year-to-year (2021-2022)

-9.9%

FRE UK raised

£600k*

for charity in 2022

Achieved GRESB green star status and increased score by

9.0%

Tenant energy data collection

85.0%

vs 75.0% target

*Figure stated from Fiera Real Estate and its shareholders

Partnerships

Report from the AIFM

Khepri Fund Management Limited (formerly MJ Hudson Fund Management) ("Khepri") are the Alternative Investment Fund Manager ("AIFM") to the Fiera Real Estate Long Income Fund (UK) Limited Partnership ("LP" or the "Fund"), Fiera Real Estate Long Income Fund (UK) Unit Trust ("UT"), and Fiera Real Estate Long Income Fund (UK) Jersey Property Unit Trust ("JPUT") (together the "Funds"). As part of its role as AIFM, Khepri is responsible for risk management, regulatory compliance and overseeing the operations of the Funds. Fiera Real Estate Investors UK Limited ("FREI UK") are responsible for portfolio management. The purpose of this statement is to provide the Funds' investors with an update on these functions.

Risk Management

The AIFM conducts ongoing risk management and carries out a more in-depth analysis of the portfolio quarterly. There were two investments made by the Fund in the last 12 months, and each were analysed against the investment restrictions prescribed in the Funds' documentation, as well as the restrictions set by the AIFM. No investments breached such thresholds, and each of the investments were approved by the AIFM.

The below table summarises the key risks impacting the Funds as at 31 March 2023

Risk Type	Rating	Commentary
Operational		The AIFM monitors the service providers of the Funds to ensure they are maintaining a high level of standard. The AIFM has not recorded any breaches of service level agreements, the Funds have been operated in line with expectations and there are no concerns over service providers experience or resources.
Investor		The AIFM monitors money laundering risk and the Funds' investor concentration levels. The AIFM notes that one single investor exposure is at 21.7%, which brings liquidity risk should they decide to redeem albeit, as a fund-of-funds investor there is diversified underlying risk. However, the AIFM is comfortable that the risk is mitigated, given the liquidity management tools in place, the relationship with said investor, and the demonstrated ability to raise fresh capital. The Funds are raising capital from other investors and this percentage exposure is likely to reduce.
Investment		The AIFM ensures that the Funds are within the thresholds prescribed in the LPA, by the AIFM and the Funds' investment strategy. Overall, the AIFM is comfortable, with the only areas of concern being the total and income return. The Funds have faced a decline in returns, a reflection of recent and current market conditions. Despite this, the Fund has remained in the top or second quartile of fund performance for long income funds as measured by the MSCI Long Income Property Fund Index. The Funds' income return is currently below the target of 4.0 – 4.5% stated in the PPM but that is not the case on an annualised look forward basis for institutional investors paying a lower fee base reflective of the scale of their investment. This recent relative increase can be attributed to the market correction valuations have witnessed in the last 12 months and an increase in the absolute level of distributable income.
Tenant		The AIFM monitors the credit risk of tenants, the diversification of passing rent and average unexpired lease term. The AIFM notes that 9.3% of the Funds' passing rent comes from one tenant, but the AIFM is comfortable given the high relative INCANS score ascribed to that company.
Liquidity		The AIFM carries out periodic liquidity stress testing, and currently does not have any liquidity concerns for the Funds.
Leverage		The AIFM has no leverage concerns, given the Funds do not employ any leverage at this time.

Operations

The AIFM monitors the Funds' operations on an ongoing basis. This includes reviewing the performance of various service providers including: the portfolio manager, administrator, depositary, and the trustees of the UT and JPUT. The AIFM monitors items such as breaches in service level agreements or legal agreements ("SLAs"), sufficient personnel levels, adequate systems, and processes, etc. The AIFM also conducts more thorough due diligence on the providers periodically. The AIFM can report that it considers the operations of the Funds and the various service providers to be low risk for the following reasons: sufficient experience and knowledge to fulfil contractual obligations; adequate access to qualified personnel; being well resourced and well known to the market; having sufficient operations manual and service level agreements in place, and ensuring there have been no breaches over the period.

Regulatory Compliance

The AIFM has submitted the Funds' six-monthly Annex IV reporting to the FCA with no concern. The AIFM maintains breaches and errors, complaints, and conflicts of interest registers, and can report that all checks have been undertaken with no compliance issues raised.

Conclusion

"The AIFM has monitored the performance of the Funds and is satisfied that they will continue to offer investors an expected balance of risk and reward and that Fiera can continue to source deals which fit the target portfolio, maintain its pipeline, and attract further subscriptions from institutional investors. The Funds continue to operate in a challenging market, with pricing and inflationary pressures, but the Funds are well balanced, offer a diversified geographic, tenant and sector risk and offer investors a low risk asset class over the long term."

Will Roxburgh
Managing Partner of the AIFM

Portfolio Overview

Fund Type
Open-ended

Diversified Portfolio
5 sectors | 30 assets | 60 tenants

Target Return
Income return range:
4.0%-4.5%*

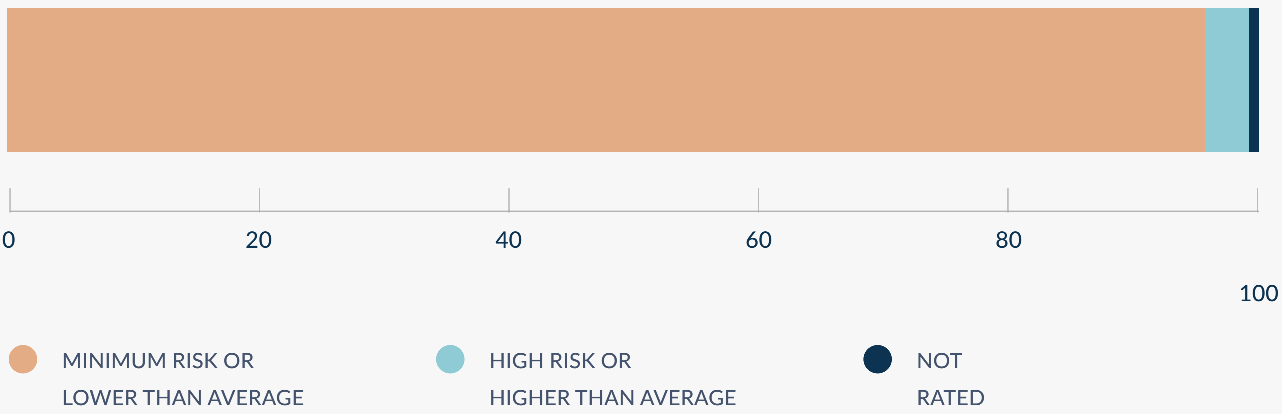
Minimum Unexpired Term
19.8 years

Targeting
Low risk income

Income with Indexation/Uplifts
85.9%

*There is no guarantee that targets will be met.

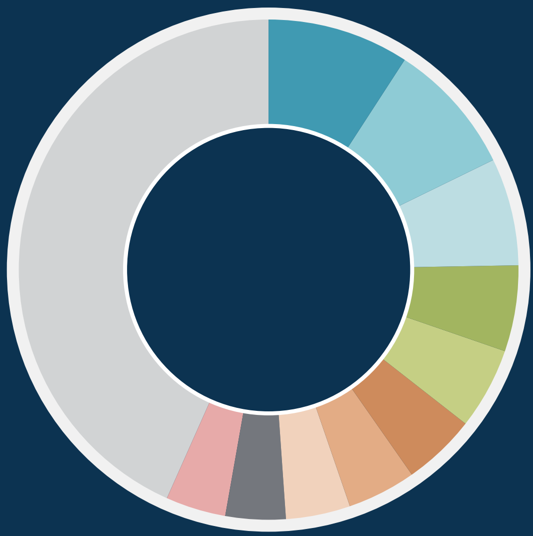
Porfolio Split by Covenant Strength*



*As measured by INCANS, 31st March 2023

Tenant Concentration (% of Contracted Rent)

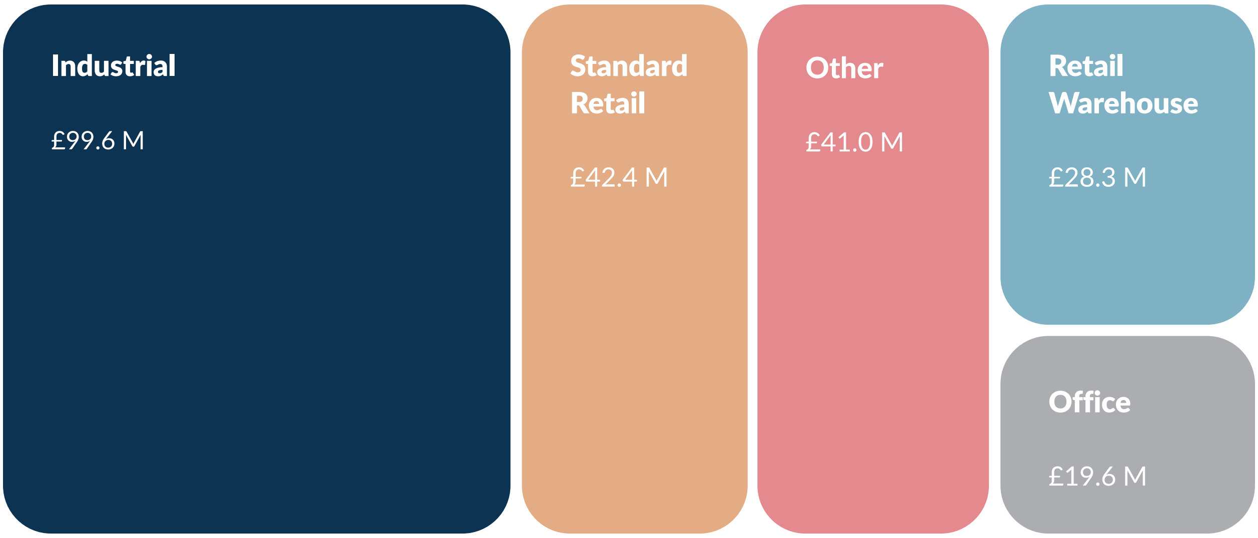
- 9.3% SAFEWAY STORES LIMITED
- 8.7% WESTMINSTER WASTE LIMITED
- 6.7% RICARDO PLC
- 6.7% EMW LAW LLP
- 5.3% ASDA STORES LIMITED
- 4.8% CADENT GAS LIMITED
- 4.4% MEGGITT AEROSPACE LIMITED
- 4.1% MARSTON'S ESTATES LIMITED
- 4.0% CDS (SUPERSTORES INTERNATIONAL) LIMITED
- 3.8% REFRESCO DRINKS UK LIMITED
- 43.1% OTHER



Portfolio Sector Allocation		Weighting %		
		Fiera Real Estate Long Income Fund UK (FRELIF)	UK Long Income Open-Ended Property Fund Index	Difference
Standard Retail	South East	3.6%	7.5%	-4.0%
	Rest of UK	13.9%	5.6%	8.3%
Shopping Centres		0.0%	0.5%	-0.5%
Retail Warehouses		11.6%	1.2%	10.4%
Offices	City	0.0%	2.9%	-2.9%
	West End / Midtown	0.0%	3.6%	-3.6%
	Rest of South East	3.5%	5.9%	-2.4%
	Rest of UK	4.2%	9.5%	-5.3%
Industrials	South East	12.8%	4.6%	8.2%
	Rest of UK	24.8%	9.8%	15.0%
Other Property		16.8%	43.6%	-26.8%
Cash		8.8%	5.2%	3.6%

Source – MSCI/ AREF UK Long Income Open-Ended Property Fund Index

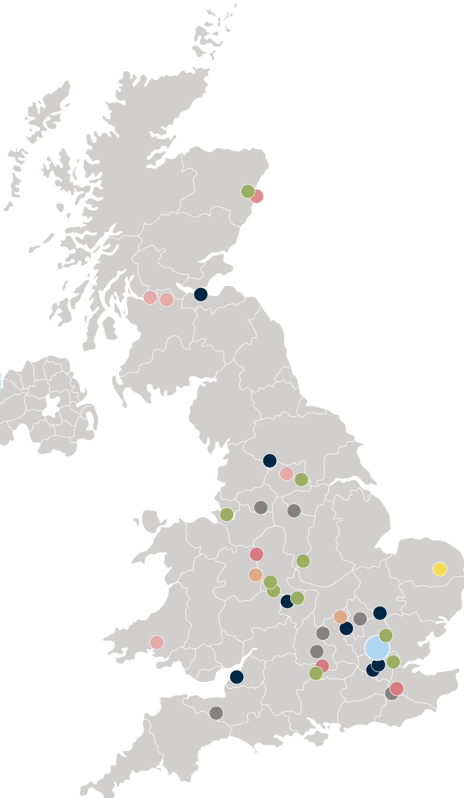
Sector Split by Capital Value



Asset Locations Split by Sector

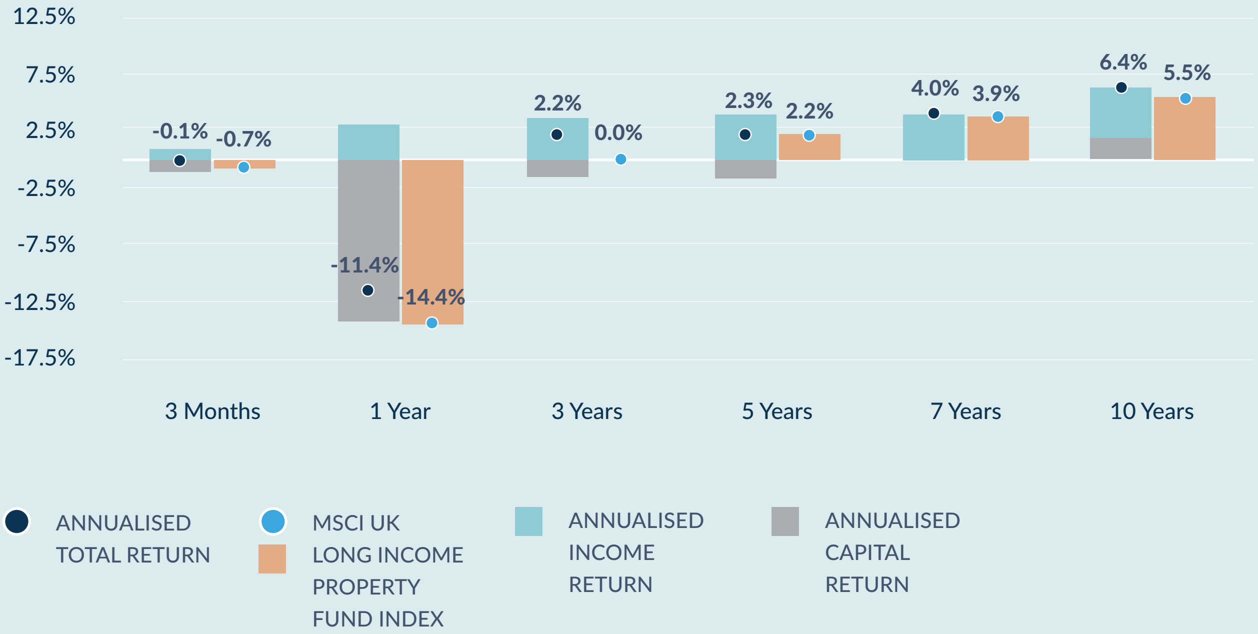
Assets
30

NAV
£252.5m

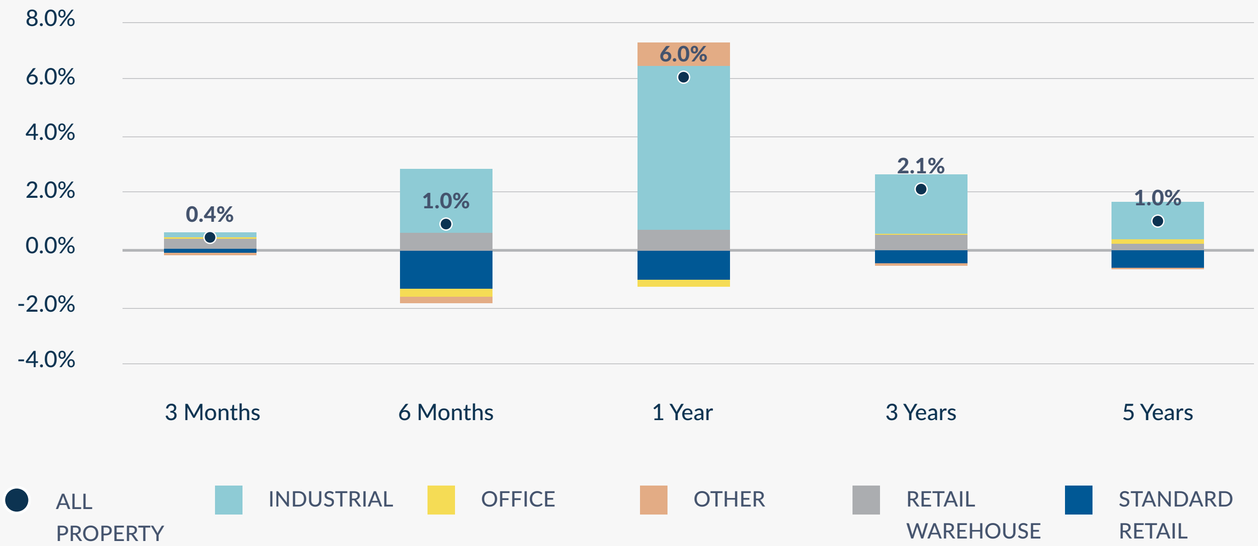


- INDUSTRIAL
- HOTEL
- OFFICE
- OTHER
- RETAIL WAREHOUSE
- STANDARD RETAIL
- OPERATING COMPANY
- FIERA REAL ESTATE HEAD OFFICE

FRELIF Annualised Return vs MSCI UK Long Income Property Fund Index*



Contributions of Relative Return Over Time (Selection Return)*



Source - MSCI/ AREF UK Long Income Open-Ended Property Fund Index as at 31st March 2023.
FIERA REAL ESTATE LONG INCOME FUND UK: Fiera Real Estate UK Limited, returns for UT investors at 50bps fee.

* 'Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

FRELIF
ESG Strategy

At Fiera Real Estate ("FRE"), we recognise the critical role we play in transitioning to a low carbon, more sustainable and equitable world. As stewards of our client's capital, it is our responsibility to ensure that we use our innovation, influence and privilege to drive positive environmental and social change in a fair and just way for our people, planet and communities.

We believe that these ambitions are essential to preserving the long-term value and resilience of the funds we manage. We acknowledge the role that we have to play in reducing our carbon impact and to drive the growing momentum to get businesses to embed climate risk into financial, investment and operational decision making.

Sustainable Development Goals

The Sustainable Development Goals, ("SDGs"), are a collection of 17 global goals, designed with a mission to achieve a better and more sustainable future for all people and the world by 2030.

We have specifically identified 5 of these goals which we target across our real estate activities in order to make a real difference.

Within our three ESG pillars: Responsible, Resilient and Engaged there are seven focus areas that encompass the key ESG topics relevant for real estate.

RESPONSIBLE

Planet

- Reduce energy and water consumption and the production of waste
- Support biodiversity
- Integrate ESG throughout the supply chain

People

- Foster a best-in-class team
- Advance diversity, equity and inclusion

Communities

- Maximise positive social community impact

RESILIENT

Climate

- Proactively support the transition to a low carbon economy
- Integrate climate risk and opportunity management into operations

Governance

- Maintain strong corporate governance
- Advance digitisation and data systems

ENGAGED

Collaboration

- Work with stakeholders to meet mutual goals and promote best practices
- Contribute to industry ESG

Transparency

- Disclose ESG according to stakeholder expectations
- Participate in standards and initiatives

Responsible, Resilient, Engaged

The foundation of our ESG strategy is based on the primary belief that the way in which we manage our funds should be responsible, resilient and engaged.

Key Highlights

Responsible

- Sponsored Beehive installation projects in Carmarthen

Resilient

- Reduced like for like GHG emissions by 9.9%, or 798 tCO_2e
- Committed to NZC emissions by 2035
- Developed a proprietary ESG dashboard
- Collected over 85% of tenant energy data, and over 72% of tenant water data, with market leading access to investment grade ESG performance data
- Instructed Climate Resilience Assessments at top 5 *high risk* assets
- NZC Audits have been completed for 51% of the portfolio by carbon emissions

Engaged

- Achieved GRESB Green Star status and increased score by 9%
- Maintained Real Living Wage Accreditation
- Produced new quarterly ESG investor reports which provides investors with access to more regular, detailed and up to date insight into the ESG performance of the portfolio.
- Provided tenants with bespoke ESG Reports, including performance analysis and commentary.

ESG Integration

Acquisition, operation and development

Acquisition

FRE's proprietary ESG Resilience Scorecard is included within our acquisition due diligence processes to assess the long-term resilience of potential assets for investors.

The ESG scorecard includes a comprehensive list of ESG risks and opportunities, which are then scored to provide an overall level of ESG risk exposure at an asset level.

The results are shared with the Investment Committee, who, together with our ESG specialists, assess the level of risk associated with the potential acquisition.

Operation

The ESG Resilience Scorecard is used on a quarterly basis to ensure consistent oversight of any risks and to identify opportunities to improve performance across the existing portfolio.

The results of the scorecard are included within our Asset Risk Model, which is monitored by our asset management team.

Each asset in the portfolio has an ESG Asset Plan, which is monitored quarterly by the FRE ESG Team, the FRE asset management team and the Fund's managing agents.

Development

FRE's Sustainable Design Brief (SDB) sets minimum environmental and social targets for all FRE-funded development projects.

The SDB is hugely successful in driving collaboration with our development partners and ensures our sustainability targets are met.

This has allowed us to design and create innovative buildings with exemplary sustainable features and certifications.

Net Zero Carbon. Our Journey So Far

Pathway to NZC by 2035

2021 Like-for-like emissions	2022 Like-for-like Emissions	Percentage Change
8,061,787 kgCO2e	7,264,041 kgCO2e	-9.9%

2022	2023 - 2030	2030 - 2035
NZC audits completed for 6 assets Tenant engagement continued, including provision of a tenant energy report DD scorecard updated and NZC Audit required as part of DD Discussions underway with 5 tenants for PV	**Focusing on progressing the following PV systems this year:** Harlow, Glasgow, Stafford, Armley, Motherwell Engaging with tenants on NZC Audit findings All landlord electricity supplies are 100% renewable Eight NZC Audits planned for this year and the tenants at each asset have consented to this Natural gas supply removed from Belvedere as part of letting Considering Natural Capital opportunities to support our NZC pathway	All energy supplies to be 100% renewable Continue with de-carbonisation projects Offset residual emissions from 2030 **Achieve Net Zero Carbon**

FRELIF has had an ESG programme in place for a number of years. However due to the nature of Fund's exposure to single-let assets let on Full Repairing and Insuring ("FRI") Leases and the resultant lack of control over the assets, we have been constrained in terms of delivering from an ESG perspective. Nevertheless, we feel that decarbonisation is an area that the Fund can genuinely have an impact due to the length of time that assets are typically held, which is why we have set a target of achieving Net-Zero Carbon ("NZC") by 2035.

We believe that this NZC target is one of the most ambitious in the market for a long income fund, and one that we can achieve having based on the solid foundations laid in recent years.

Absolute Emissions – This reflects the total portfolio emissions for 2021 and 2022 for comparisons of annual emissions reductions.

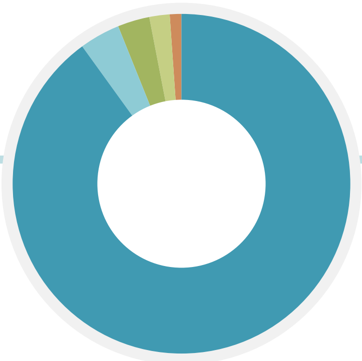
Like-for-Like Emissions – This reflects the total emissions for all assets that were held by the Fund during both 2021 and 2022 for comparisons of annual emissions, therefore removing the effect of any asset disposals/acquisitions on the overall carbon footprint.

Our Baseline Emissions

In order to set a NZC target and prepare a transition pathway for the Fund, we needed to understand the overall emissions related to the portfolio. As a long income fund, all assets are let on FRI leases, meaning that the vast majority of emissions from the portfolio fall into Scope 3, as they relate to tenant operations at the assets.

We have been engaging with tenants for several years to collect energy and emissions data for the buildings, meaning that we have a reliable and regular insight into the performance of the buildings despite not procuring the energy directly. For the year end 2020 we successfully collected 80% of tenant energy data, which is why we opted to utilise this year as our baseline.

The data showed that industrial assets made up the majority of the portfolio's carbon footprint, contributing 91% of overall emissions. This highlighted the need for these assets to be prioritised within our transition strategy.



FRELIF UK

Carbon Footprint by Asset Type

This graph is based on actual data when available but where data hasn't been provided by the tenant's we have estimated emissions data

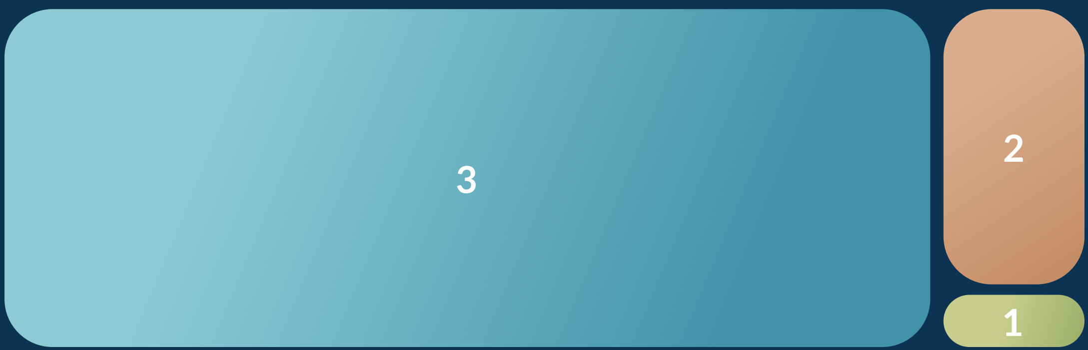
91%	INDUSTRIAL
4%	STANDARD RETAIL
3%	RETAIL WAREHOUSE
2%	OFFICE
1%	OTHER

Contributions of Relative Return Over Time (Selection Return)

FRELIF UK

SCOPE 1, 2 & 3 Emissions

This graph includes only operational and not embodied carbon emissions



DIRECT EMISSIONS from business operations. For FRELIF this includes natural gas procured directly by the fund, which is limited to common part and vacant unit supplies.

INDIRECT EMISSIONS from purchased energy. For FRELIF this includes electricity procured directly by the fund, which is limited to common part and vacant unit supplies.

INDIRECT EMISSIONS from suppliers and downstream customers. For FRELIF this includes the electricity, gas and other fuel types procured by tenants for use at the sites.

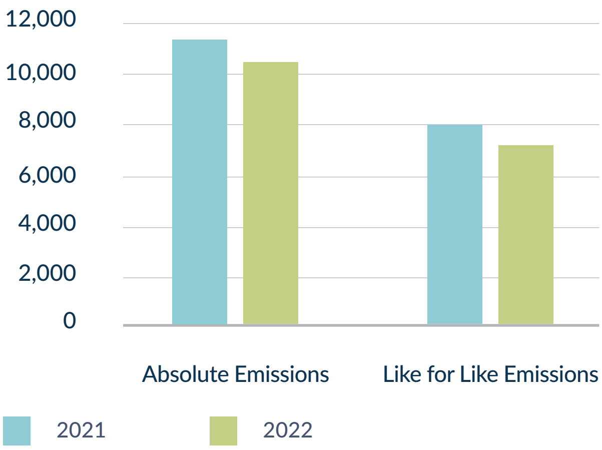
Pathway Implementation and Progress

Our full pathway to NZC can be found on our website. In summary, it follows recognised industry best practice, aligning with the UK Green Building Council's definitions, capturing our Scope 1, 2, and 3 emissions, and our strategy follows a hierarchical approach to carbon reduction measures.

The primary focus of our NZC target is to reduce our carbon emissions as much as possible. It is highly likely, however, that there will be residual carbon emissions that we will need to offset and as such our FRE UK Offsetting Strategy has been developed to set out how we will prioritise carbon removal opportunities through nature-based carbon offsets with high environmental and social integrity. The table below sets out an update on the progress we have made with the pathway implementation to date.

NZC Audits	Solar PV	Data Collection
6 audits completed in 2022 Findings are being shared with tenants to agree potential pathways to net zero and next steps Further 8 NZC audits planned for 2023 and consented by each tenant	**5 projects underway:** with grid connections submitted and occupier prospectus shared	Collected over 85% of energy data for the 2022 GRESB year Over 60% of data collected automatically from tenants using an API

FRELIF Emissions 2021 - 2022 ($mtCo_2e$)



Portfolio Performance

The data for GHG emissions for 2021 and 2022 is shown in the adjacent graph in both absolute and like-for-like terms. In both instances there is a clear reduction in emission from 2021 to 2022, with absolute emissions decreasing by 8.1% and like-for-like emissions reducing by 9.9%.

The reduction shown in this period can be attributed to tenant activity at their sites. We have not yet reached the stage of implementing projects aimed at reducing emissions. However, through active tenant engagement and the production of net zero carbon audits and tenant energy reports, it is encouraging to see that improvements in energy efficiency are being achieved, alongside our own NZC programme.

OFFSETTING POLICY

- Engaged with Savills Natural Capital Team to support with the development of an offsetting policy
- Where residual carbon emissions in the fund require offsetting, the strategy focuses on nature-based solutions for credible methods of carbon sequestration
- **Prioritising:** afforestation, reforestation, peatland restoration, and soil carbon sequestration

"Over the last 18 months we have found Fiera to be proactive and extremely helpful by working with us on our ESG requirements. We are considering various changes which will make us more energy efficient, including installing solar. I have found Fiera to be the most proactive of our landlords in wanting to work with us."

Ricardo PLC

ESG Key Performance Indicators

Topic	Reporting Metric	Result
Operational Performance	Operational carbon emissions (scope 1, 2 and 3)	Absolute emissions **2021** – 11,413 mtCO_2e **2022** – 10,488 mtCO_2e Like-for-like emissions **2021** – 8,061.79 mtCO_2e **2022** – 7,264.04 mtCO_2e
	% reduction in operational carbon emissions compared with baseline year (2020)	Absolute emissions -30.4% Like-for-like emissions -38.8%
	Portfolio energy intensity (kWh/m²)	**2021** – 435 kWh/m² **2022** – 428 kWh/m²
	% reduction in energy intensity compared to the baseline year (2020)	-23.3.%
	% of tenant consumption based on metered data	Electricity 92.6% Gas 67.5%
Compliance	% compliance with MEES	100%
Renewable Energy Procurement	% of landlord electricity from renewable sources	100%
	% of tenant electricity from renewable sources	Unknown
Embodied Carbon	Embodied carbon intensity for new developments (kgCO_2e/m²)	N/A
	Total embodied carbon (tCO_2e) for each development	N/A
	% reduction in embodied carbon compared with design stage baseline and current industry standard baselines	N/A
Offsetting	Carbon emissions offset (tCO_2e)	0 (offsetting will commence from 2030)
	Number and type of offsetting schemes	0 (offsetting will commence from 2030)

Taskforce for Climate-Related Financial Disclosures (TCFD)

Fiera Real Estate published its first TCFD report in 2022, which outlines how the business manages climate risk across all managed portfolios. Our second TCFD Report, released in early 2023, forms parts of Fiera Capital's broader TCFD Report .

We have opted to publish these reports despite not being required to do so under regulation because we recognise that our business strategy faces significant risks and opportunities related to climate change. As such we felt it was important to demonstrate how we have integrated both physical and transitional climate considerations into our business strategy and processes. The full TCFD report can be found on our website.

Sustainable Finance Disclosure Regulations (SFDR)

FRELIF does not fall into scope of SFDR however we have taken the necessary steps to align the fund to the spirit of an Article 8 fund. The full risk disclosure document can be found on our website.

Summary

The fund has made significant progress with its ESG journey over the reporting period with a specific focus on NZC; having both set a NZC target and implementing the required works to achieve it. The NZC works to date have largely been around gaining a better understanding about what works will be required at each site, and going forwards the fund is now in a position to start undertaking some of those works in collaboration with tenants.

MARSTON'S PORTFOLIO

Investment Approach

An Holistic Investment Approach

Fund Objective

The Fund objective is to provide investors with a consistent distribution yield within a target range from 4.0% to 4.5%* per annum with a secondary goal of delivering capital value growth through top-down sector allocation and bottom-up asset selection.

Investment Approach

Income constitutes the primary driver of returns for investors with progressive income growth a key goal when seeking to achieve and exceed target income returns. If this can be delivered in a sustained manner over the longer term, capital growth becomes an inevitable by-product which in turn can be enhanced through ESG aligned active asset management.

The Fund aims to maintain secure, long duration income exposure benefitting primarily from regular indexation or guaranteed rental uplifts secured across institutional grade assets diversified by property sector and region.

Investment Management

Our investment management initiatives combine:

Tactical Asset Allocation – FRELIF has seen strong *top-down* drivers to performance through the recent cycle as it completed its transition from a balanced fund to a long income fund. These *top-down* drivers have come from a meaningful overweight position to the out-performing segments of industrial and retail warehousing relative to benchmark. Furthermore, a significant underweight to *at risk* sectors such as offices and in-town retail, together with operational assets (*Other*) helped more recently through the COVID-19 impacted market, in particular with regard to rent collection.

Property Company Network – FRE's vertically integrated business model has created a pan-UK platform of local property company partnerships that affords investors access to off-market investment and pre-let development opportunities. Where FRELIF has acquired in partnership with the Property Companies on a forward commitment basis, the Fund has been able to secure exclusive access to qualifying investment stock whilst also helping shape the ESG agenda for each asset ensuring it is capable of meeting the Fund's 2035 NZC target.

Rental Growth – The fund benefits from 85.9% exposure to RPI/CPI-linked and fixed uplift rent reviews ensuring progressive income growth irrespective of the prevailing property market cycle.

Market Coverage & Deal Sourcing – With the Commercial Real Estate market transacting c.£57.0bn in 2022, FRE reviewed £19.2bn of those transactions providing comprehensive on and off market coverage.

* There is no guarantee that targets will be met.

Risk Management

Tenant Credit Underwriting

Tenant credit underwriting and monitoring is key to a successful low risk, long income strategy. Our process includes third party bespoke credit reporting from EY and a separate Credit Committee sign off, with independent expert representation, for each acquisition. The Credit Committee also has oversight for the ongoing quarterly monitoring of tenant credit across the portfolio. This forensic approach ensures consistent levels of rent collection and low tenant default rates over the longer term which in turn provides investors with a secure, stable and progressive quarterly income distribution.

Mitigating Obsolescence

The physical condition of each property is subject to depreciation over time exposing investors to occupational and functional obsolescence that may negatively impact a property's ability to generate income and therefore value. We require all potential acquisitions to be subject to an independent technical survey encompassing building, plant and environmental considerations prior to acquisition. This ensures a baseline level of day one resilience to all of the key physical risks that can lead to asset obsolescence over time.

Responsible Investment

ESG is a critical component of our acquisition due diligence and ongoing risk management process whereby we assess the short and long-term resilience of potential new investments and monitor and manage this throughout the hold period for each asset. To do this, we use our proprietary ESG Resilience Scorecard which assesses a comprehensive list of ESG risks and opportunities that are then scored to generate an overall ESG risk score that categorises the risk profile and therefore longer term ESG resilience. Additionally, we have introduced NZC due diligence surveys to aid our cost assessment of achieving our target of transitioning the fund to NZC by 2035.

Residual Value Underpin

Whenever an asset is targeted for acquisition we ensure a thorough residual value underwrite with a focus on securing properties that benefit from a high residual value underpin from either existing or potentially achievable alternative uses. This ensures that minimal purchase consideration is being allocated to the building and income entitlement over the life of the lease and serves to shore up the value underpin throughout the market cycle.

Summary

Our robust approach to investment strategy, governance and risk management ensures the Fund holds assets with the following key attributes:

1. Well located in established locations which are characterised by strong market liquidity during most stages of the economic cycle

2. Good quality modern assets of institutional grade with low functional and technological obsolescence and strong ESG credentials

3. Well let to strong/established tenant(s) for an average income weighted unexpired lease term of typically 15 years or more

4. Market or under rented with strong underlying residual site value for existing or alternative uses

THE RANGE,
GLASGOW

Market Review & Future Outlook

12 Month Look Back

The year in review started strongly with market momentum from Q4 2021 carried into 2022. By February 2022, Russia had declared war with Ukraine which in turn served to compromise global supply chains and acted as a catalyst for energy price inflation across Europe. This became an unwelcome feature throughout the remainder of the year.

Rising levels of CPI inflation, peaking at 14.2% in October 2022 served as the trigger for repeated interest rate rises with this economic pattern persisting until the present day with the Bank of England base rate at 4% by the end of the period under review and subsequent rises through the Spring and Summer.

Not surprisingly, such a challenging economic backdrop weighed heavy on all financial markets with political instability and repeated Prime Ministerial changes adding another layer of uncertainty, culminating with the pension crisis at the end of September.

The UK commercial real estate market was not immune from these powerful forces with the net impact being the largest valuation decline since the GFC (-21.04% annualised capital decline over the period from July 2022 to February 2023). In addition, we saw the largest single quarterly capital value decline (-14.5%) in the history of the MSCI measured market.

Whilst a degree of stability had returned by the end of Q1 2023, the overall stubbornness of inflation and continued upward pressure on interest rates meant many investors preferred to sit on the sidelines rather than re-engage in a potentially falling market.

UK Real Estate Returns

The MSCI Monthly Property Fund Index reported total returns of -14.4% for the 12 month period ending 31st March 2023. This reflected a year of two halves with the period to end September posting -4.1% and the remaining six-month period returning -10.7%.

Never before has a single 12-month period witnessed such a polarisation of returns with the sentiment shift from late summer onwards, led by a collapse in yields across the industrial sector, giving up almost 18 months of sustained valuation gain in a single quarter. Other sectors followed as the pension crisis took hold with many closed ended defined benefit pension schemes seeking to exit real estate via a forced selling process following LDI margin calls.

By the end of Q1 2023, prime industrial and retail warehouse yields were starting to show signs of modest compression once again but the overall frailty of the market and threat of further future interest rate rises mean that 2023 promises to be a difficult year. This has been borne out by post year end events with interest rates up to 5.2% at the time of writing and widely expected to rise again through the remainder of the year.

As in recent years, Environmental Social & Governance ("ESG") factors continue to play an increasingly important role in both asset management and investment decisions. Landlords and tenants-alike are coming under pressure to improve the sustainability of their respective operations (for landlords, their assets) and many businesses are setting net-zero carbon emission targets to tackle emerging stricter regulations. The key goal is to ensure ESG resilience across held portfolios so as to avoid assets becoming stranded and the risk of catastrophic value destruction. We have already discussed many active ESG initiatives across the portfolio in earlier in this document.

Looking Ahead

UK economic policy, along with much of the developed world, is going through a sustained period of monetary tightening. At the time of writing, markets are forecasting interest rates peaking in the current cycle at 5.5% - 6%. This follows 15-years of almost free money and is not surprisingly having a profound effect on all financial markets.

Investors can currently achieve close to 5% from three-month cash deposits with negligible capital risk making real estate investing hard to justify whilst capital values, for the most part, continue to fall.

Whilst this creates a difficult backdrop for real estate managers, not all sectors are expected to behave the same, with industrial, residential, life sciences and retail warehousing expected to out-perform the rest of the market off today's re-based valuations. All of these market segments are, to a greater or lesser extent, expected to show rental growth over the next five years. Conversely offices and in-town retail remain 'at risk' from ongoing structural and market changes.

The Fund has maintained a tactical overweight to industrial and out-of-town retail, recently adding a further long let supermarket investment to the portfolio. In addition, investment committee approval has been secured for a £30m investment into the affordable housing sector with a phased investment profile over the next 18 months enabling a "cost averaging" approach. A combination of tactical sector weightings and recent investment activity should position the Fund well for the next phase of the market.

-14.4%

MSCI Monthly Property Index

12 month period ending 31 March 2023

-10.7%

MSCI Monthly Property Index

6 month period ending 31 March 2023

Performance Analysis

Capital Value Resilience

FRELIF's strategic asset allocation is positioned with an overweight to the industrial and out-of-town retail sectors, both sectors which have delivered the strongest capital value appreciation in recent years prior to the market correction that begun in H2 2022.

These sectors continue to offer strong underlying fundamentals, and are poised to recover more quickly than other sectors when full stability returns to the real estate market once inflation is brought under control. Whilst the market has been impacted by a collapse in yields, led by the industrial sector, due to successful asset management initiatives our industrial and retail warehouse capital values have proved more resilient than the competitor set, outperforming the benchmark by 13.7% and 0.8% respectively. Furthermore, the Fund has maintained an underweight to the challenged office sector, which has helped insulate against further capital value decline.

With the Fund's admission into the MSCI Long Income Property Fund Index in 2022, future acquisition strategy will target a closer alignment to the index as the fund grows – in particular seeking to address the meaningful under and overweight positions. This began with a commitment into the affordable housing 'living' sector and a long-let supermarket acquisition in Q1 2023.

Residual Underpin

For the Long Income universe a significant proportion of value is attributed to the income generated and longevity of that income. During periods of volatility, it is particularly important that there is a strong residual value underpin for any asset. The residual value of the Fund is assessed on an annual basis. At approximately at Q2 2022 FRELIF's residual underpin was calculated at approximately 80% of the total value of the portfolio. This means the residual c.20% ascribed to the income component represents just 4.3 years of portfolio income against the Fund's UXT of 19.8 years as at 31st March 2023, which provides additional security that the assets within the Fund are defensive in profile.

Income

FRELIF's management approach: i) top down sector allocation; ii) robust credit underwriting and monitoring; and iii) active ESG focussed asset management, has resulted in the fund successfully transitioning from a balanced fund to an out-performing open-ended long income fund with minimum impact on distribution yield. Since inception, in 2009 the Fund has delivered an average income return of 5.0% pa.

Rental Growth

On average the passing rent across the portfolio is approximately 5.8% lower than the estimated rental value as at 31st March 2023 as determined by the Fund's valuer CBRE. Additionally, the contracted rent roll grew by 17.7% on a like-for-like basis across the Fund over the reported period. This growth in rent passing was largely driven by the lease up of an industrial holding in Belvedere, south east London, on a 20-year lease term subject to RPI-linked uplifts capped and collared at 5% and 2% respectively, which removed the only void in the portfolio. With the Fund's assets reversionary on average, this creates a positive dynamic relative to a number of other MSCI measured long income funds where overrented positions have evolved over time. Therefore, while leading to a higher income return, the valuation is typically adjusted to reflect the risk around the over-rent thus serving to supress the valuation, this is not a dynamic to which FRELIF is exposed.

Acquisitions and Sales over the Period

Acquisitions

Asset Name	Sector	Asset Type	Tenancy	Acquisition Value	Acquisition Date	UXT	Covenant Bond Rating
Eurocentral Brewdog	UK Industrial Rest of UK	Standing	Occupied	12,300,000	27 April 2022	20	BBB+
Glasgow The Range	UK Retail Warehouse	Standing	Occupied	10,100,000	24 June 2022	18	BB+
Outland Road Morrisons	UK Retail Rest of UK	Standing	Occupied	18,300,000	25 January 2023	25	BBB-
Total				40,700,000			

Sales

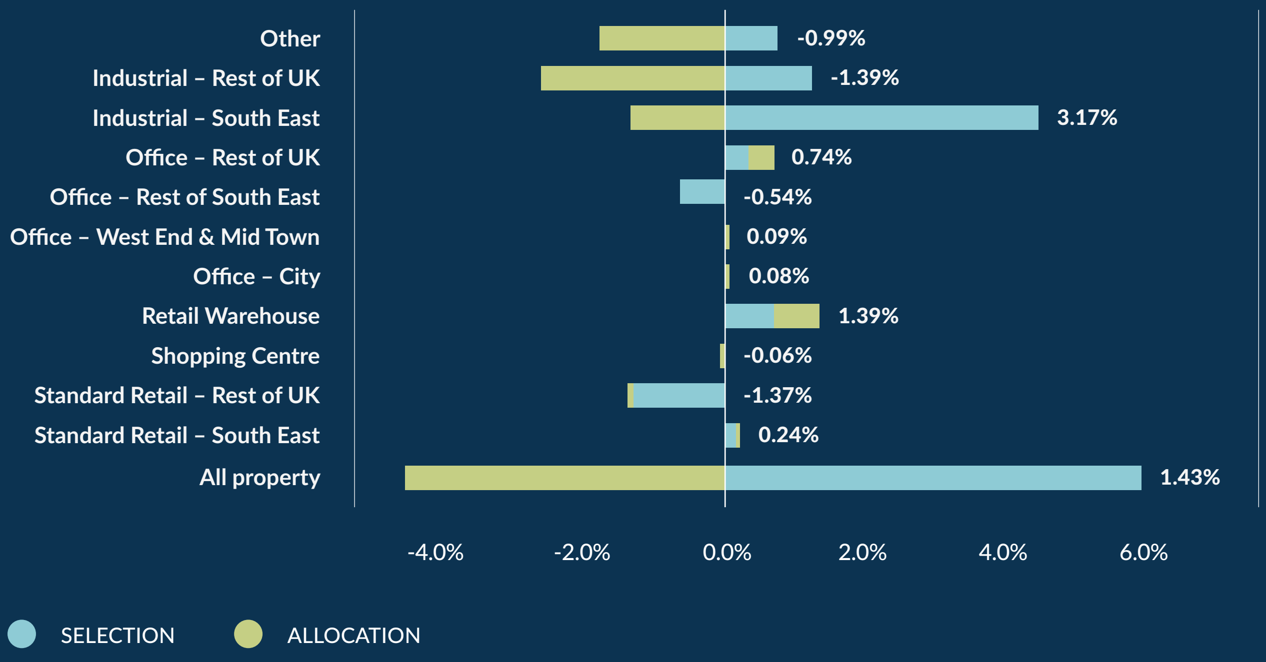
Asset Name	Sector	Asset Type	Tenancy	Sale Proceeds	Sale Date	UXT	Covenant Bond Rating
Newcastle Upon Tyne Various	UK Retail Warehouse	Standing	Occupied	5,500,000	20 July 2022	10.2	BB-

Newcastle Upon Tyne - Information as at 30/06/2022 (prior to sale).

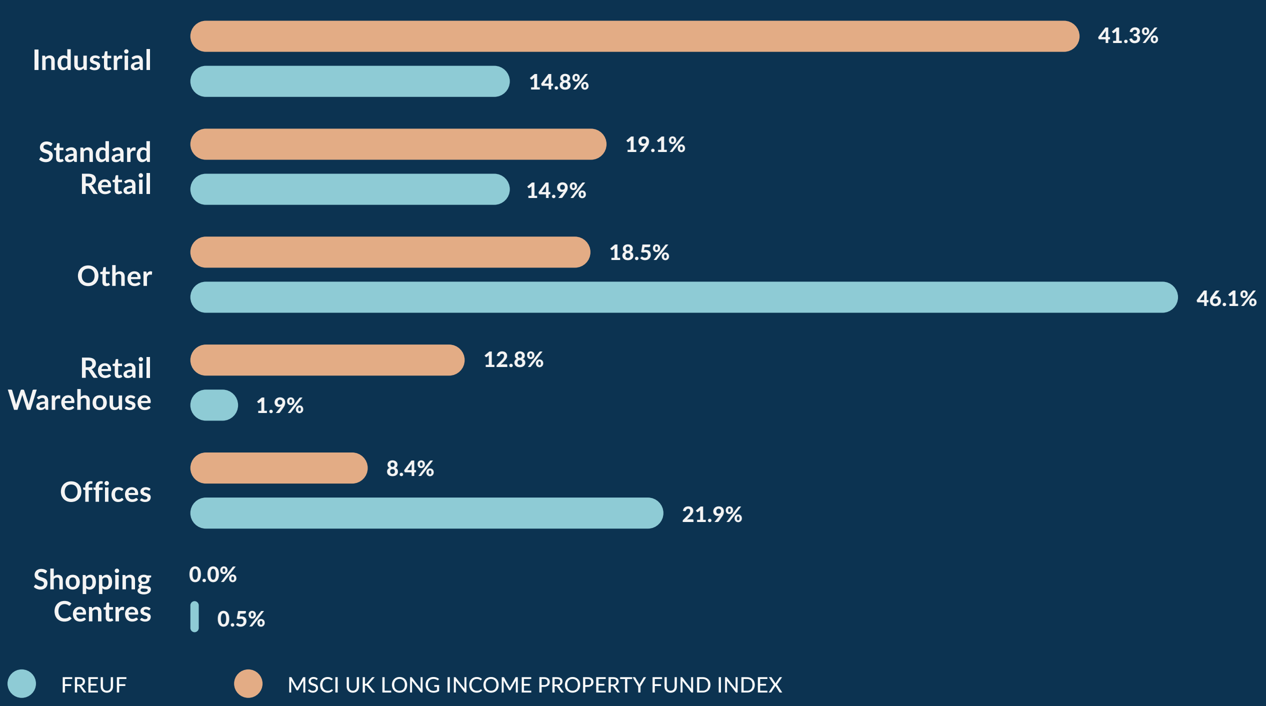
Unexpired term to earlier of break or expiry to the respective dates.

Indicative credit strength is determined by Income Analytics ("INCANS"), which is a credit scoring methodology underpinned by the data from Dun & Bradstreet. Scores are out of 100, with 100 representing the lowest level of risk. These scores are then converted to Equivalent Bond Ratings by INCANS' propriety rating methodology.

Attribution by Allocation and Selection



FRELIF Sector Weighting v MSCI UK Long Income Index



Sources of Return: Allocation represents the contribution from sector positioning - (12 months to 31st March 2023).

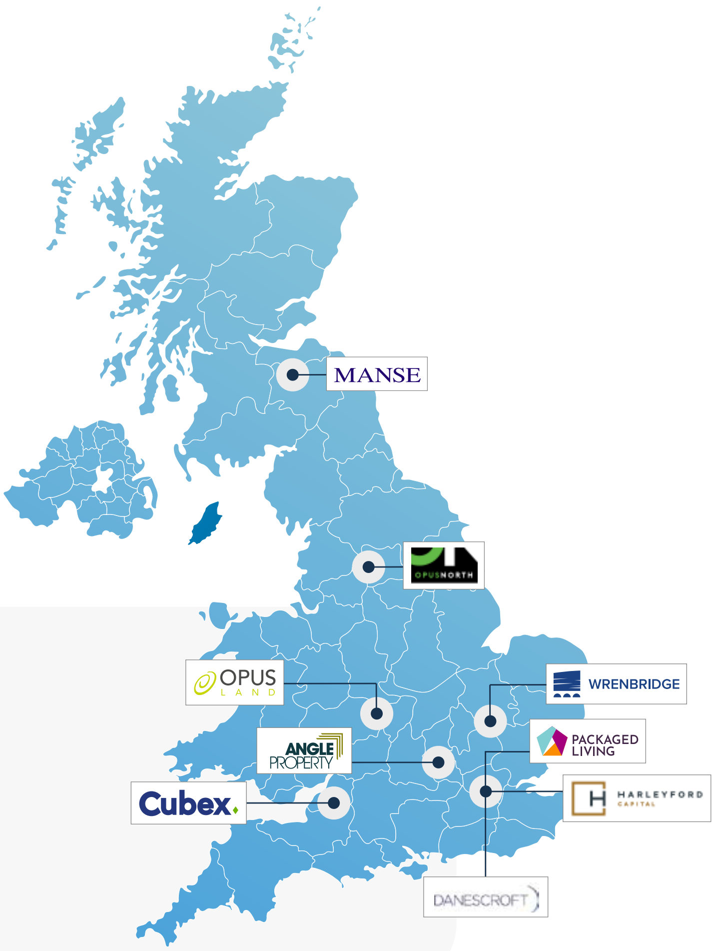
Selection represents the contribution from asset management and stock selection as at 31st March 2023.

CARGILL, SPEKE

Strategic Capital Deployment & Asset Management

Delivering Growth Through Our Diversified PropCo Network

Deal sourcing for Long Income Funds has become increasingly challenged as lease duration across the market has shortened. FRELIF has leveraged Fiera's uniquely diversified network of PropCos to access deal flow of the next generation of Net Zero future-proofed long income assets.



33%

of FRELIF portfolio sourced *off-market*

source: Q1 2023 FRELIF Pitchbook

CADENT, WOLVERHAMPTON

- FRELIF purchased a 2.95-acre site in Wolverhampton in partnership with Opus Land in April 2021 and has since forward funded the fully pre-let project at a price of £12.1m reflecting a 5.3% net initial yield.
- The Opus-developed scheme comprises a Grade A 25,000 sq ft regional HQ office building arranged over ground and first floors with a 5,300 sq ft warehouse together with 119 car parking spaces, which completed in June 2022.
- The scheme was pre-let to Cadent, an investment grade tenant credit and operator of the largest gas distribution network in the UK on a 20-year FRI lease subject to five yearly RPI-linked rent reviews.
- The scheme offers exemplar ESG credentials and has achieved BREEAM Excellent and an EPC rating of A.
- Other sustainable features include solar panels on the roof to supplement power supply, heating and cooling systems and car parking spaces benefitting from EV charging points.

"Cadent has worked with Fiera Real Estate and through one of its development partners, Opus Land, in creating a new flagship operational hub for the West Midlands at Planetary Road Wolverhampton. The relationship is always positive and productive and a there is a mutually shared desire to create a high quality end product which is essential. We continue to receive praise from both staff and visitors which I think is a testament to our working relationship."

Leo Conway, Cadent Head of Property

RICARDO, LEAMINGTON SPA

Delivering Performance Through Active Tenant Engagement

Value creation driven by proactive employment of multiple tenant touch points including annual tenant surveys, collaboration on ESG-led initiatives and engagement on expansion/contraction opportunities facilitated by our local property company network.

GSK,
HARLOW

- 61,806 sq ft industrial holding originally acquired by the Fund in November 2017 for £7.75m.
- Understanding through close engagement with the tenant that we were both aligned on an ambitious NZC target, we agreed with them to carry out a NZC audit at the asset which opened up discussions around PV solar panels to reduce costs and improve the ESG credentials.
- Discussions progressed around a PV project, whereby FRELIF would fund the initial capital outlay in return for the tenant agreeing to a 'PPA' rate which would allow the Fund to deliver an IRR in excess of 7% pa.
- The conversations around PV evolved and ultimately facilitated a wider discussion around the tenant's longer-term commitment to the building. In Q4 2022, the unexpired term was just 4.25 years. Additionally, there was significant pregnant reversion at the unit; £7.40 psf (ERV £10.50 psf).
- A reversionary lease was agreed with the tenant taking the lease term to 24.25 (19.25 to tenant break) and the rent was fixed in 4.25 years' time at £10.50 psf plus RPI inflation until then.
- In return, the tenant benefitted from 6 months' rent free and a release of their obligation to upgrade the floor at lease expiry.
- The re-gear improved all key metrics for the Fund (lease duration, income security & indexation) and facilitated a long-term hold of a core high grade growth asset, illustrating the benefits of our engaged and proactive approach with our occupiers.

GSK, HARLOW

ESG Embedded within all Facets of Asset Management

Landlord driven programme of engagement on ESG agenda has yielded strong positive reaction from our tenants, who are at varying stages of their own ESG journey. Knowledge-sharing and collaborative approach to capital requirements have been critical to driving progress to help FRELIF achieve its ambitious net zero target of 2035.

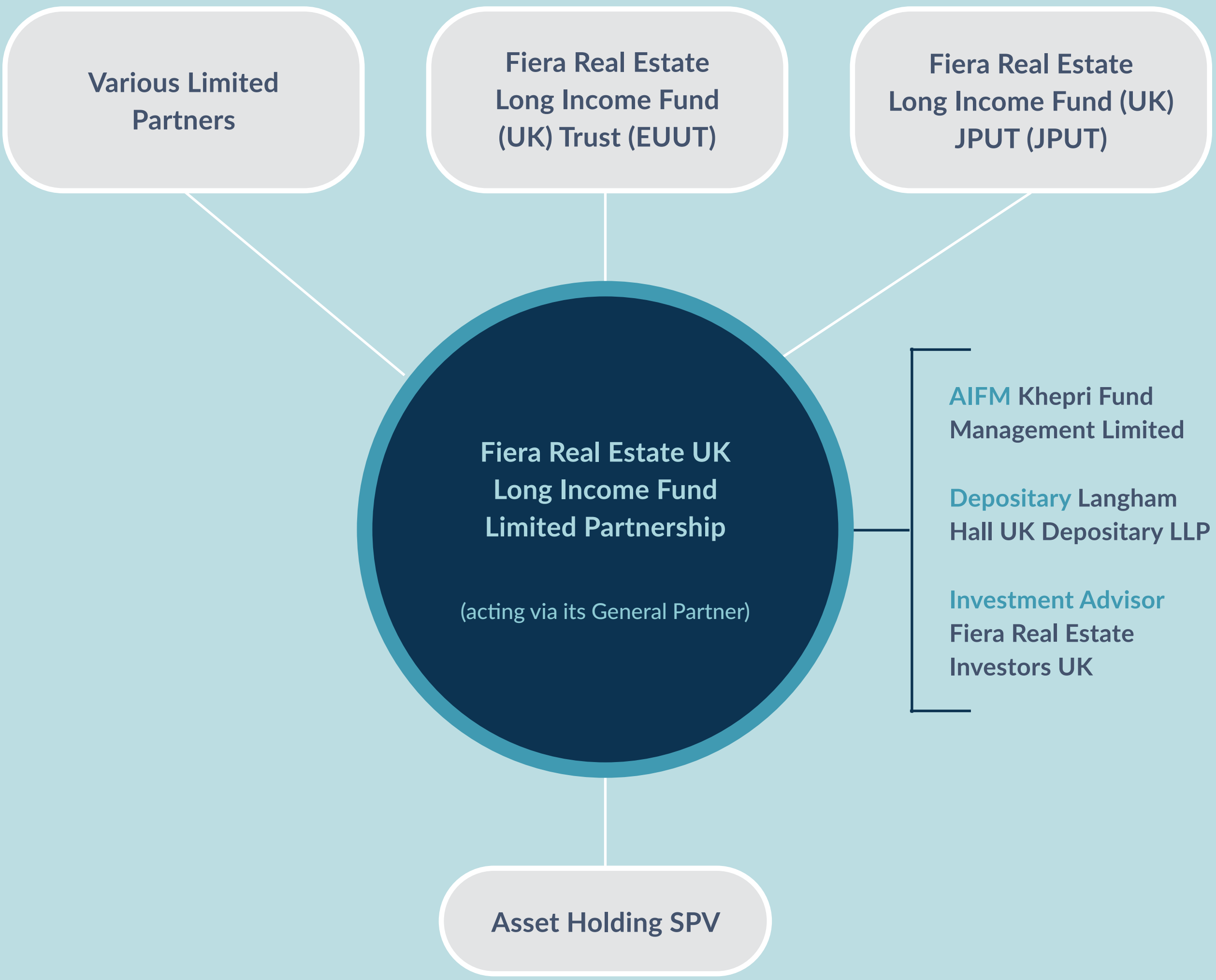
MORRISONS, PLYMOUTH

- Acquired in January 2023 for £18.3m, fully let to Safeway Stores Ltd T/A Morrisons for 25 years weighted UXT with annual CPI-linked reviews for the first five years. The net initial yield at acquisition was 6.5%.
- During the acquisition of the sale and leaseback, we undertook a Net Zero Carbon (NZC) due diligence survey to understand if the asset could be transitioned to NZC in operation within our target timeframe, and if so, what works would be required and the likely costs involved.
- The results of the survey indicated that the asset was performing better than the CIBSE benchmark for *Good Practise* buildings of this type, and that the building could achieve NZC in operation within the required timeframe. The main recommendations in order to align the asset with a net-zero pathway were degasification, improving the building management systems, insulation and installing solar PV, with the primary cost being related to the degasification works.
- In order to manage this risk for the Fund, it was negotiated with the tenant that a clause would be inserted into the lease requiring them to decarbonise the heating systems (and any other systems that were reliant on fossil fuels) at the earlier of either the end of the system's natural life, or the 31st December 2035 to align with the Fund’s NZC target.
- Morrisons is committed to reducing its ‘Scope 3 emissions across its entire own brand supply chain, by 30% by 2030. It is ahead of forecast in reducing its operation carbon emissions. A 33% cut in carbon emissions was promised by 2025, and the current reduction has already reached 32%.

MORRISONS, PLYMOUTH

Fund Structure

As at 31st March 2023



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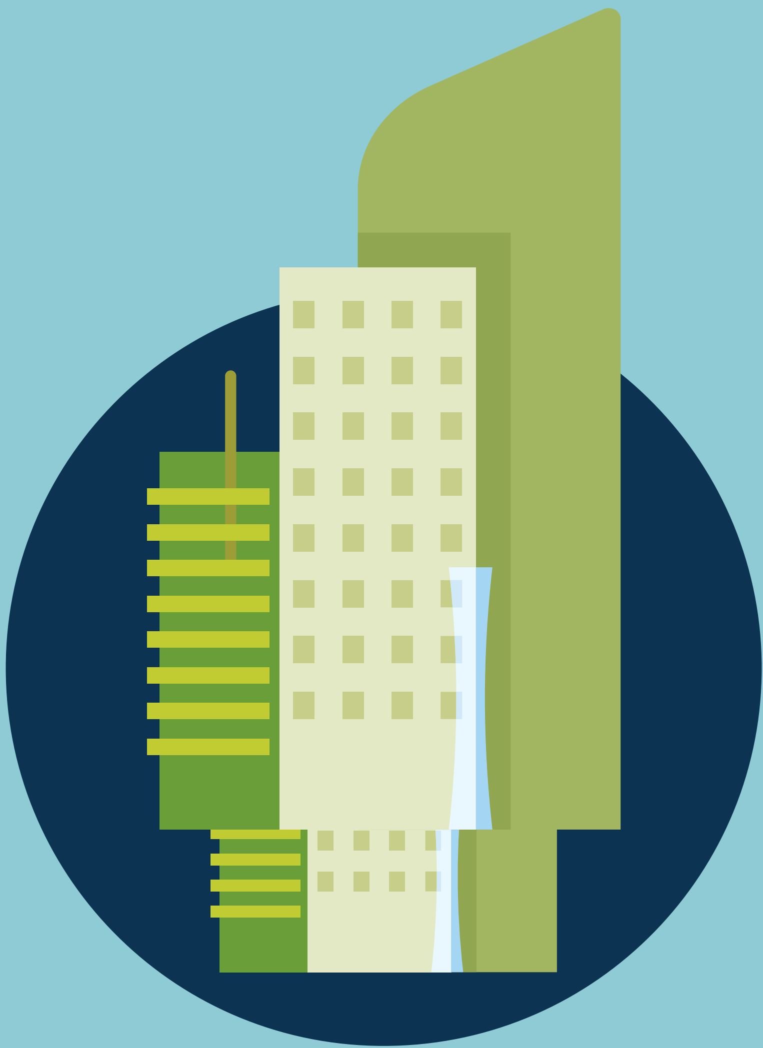

Fiera Real Estate