

SARASIN IE THEMATIC GLOBAL REAL ESTATE EQUITY

MONTHLY COMMENTARY JANUARY 2026

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ECONOMIC REVIEW

The listed real estate sector had a solid start to the year, with market sentiment toward the sector increasingly constructive. Occupancy levels and rental growth remain strong, and, for the first time in several years, we are seeing companies report positive net asset value (NAV) growth. While sustained high interest rates continue to represent a headwind, most real estate investment trusts (REITs) have used the past few years to refinance their debt and reduce leverage, leaving balance sheets in a more resilient position.

Company reporting will begin in earnest in February, but early indications – including encouraging results from Prologis – point to improving fundamentals across the sector.

FUND REVIEW

The fund had a solid start to the year in absolute terms, although it slightly underperformed its benchmark. Our overweight exposure to Hong Kong contributed positively, supported by signs that residential property prices are bottoming out, which is beneficial for local developers.

Holdings in the UK also performed well during January. Relative performance detracted due to stock selection in the US, where our single-family housing exposure, particularly Invitation Homes, underperformed following news that the Trump administration is considering measures to restrict institutional ownership in the sector. Such proposals would limit the growth potential of US single-family housing REITs, and the news weighed on sentiment toward the subsector.

FUND TRANSACTIONS

There were no significant transactions during the month.

OUTLOOK

After three years of valuation pressure and concerns that refinancing headwinds would absorb any growth, the outlook has improved materially, despite shares still trading at broadly the same levels as early 2023. Valuation multiples remain compelling, with listed real estate trading at a historical discount to the broader equity market. At the time of writing, value per share multiples were approximately 18% below their 15-year average and the discount to NAV is close to 30%.

Higher interest rates have now been absorbed at refinancing and are no longer a headwind to growth in funds from operations (FFOs).

We see limited risk of a further widening in the NAV discount, which underpins the potential for at least double-digit shareholder total returns, supported by around 5% NAV growth and a 5% dividend yield. We also believe it is reasonable to assume a 10% narrowing in the discount to NAV, as NAVs and FFOs bottom out.

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KEY RISKS

It is important that investors are aware of the various risks prior to making an investment decision. The primary risks of the fund have been outlined below:

Concentration risk: The fund holds a small number of investments, and therefore a decline in the value of a single investment may have a greater impact than if it held a larger number of investments.

Small-cap equities risk: Shares of smaller companies can be riskier, as they may be more difficult to buy and sell, and their prices may fluctuate more than those of larger companies.

Derivatives risk: Derivatives are financial instruments whose value is linked to the expected future price movements of an underlying asset. Derivatives such as futures, forward contracts, options, and swaps may be used to seek to manage risk within the fund, reduce investment costs and generate additional income. However, these strategies may not be successful and could lead to losses greater than the cost of the derivative.

Operational risk: Operational risks arising from failures or delays in processes and systems, or the failure of a third-party provider may affect the value of your investments. If compensation is required to due failures, payments may be delayed.

Counterparty and settlement risk: The fund could lose money if a counterparty with which it transacts with becomes unwilling or unable to repay money owed to the fund.

Charges deducted from capital: The fund has charges deducted from capital, which may reduce the potential for growth.

Further details of the risks that apply to the fund can be found in the fund's Prospectus.

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Capital at risk. The value of investments and any income derived from them can fall as well as rise and investors may not get back the amount originally invested. If investing in foreign currencies, the return in the investor's reference currency may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results and may not be repeated. Forecasts are not a reliable indicator of future performance.

The fund is domiciled in Ireland and authorised by the Central Bank of Ireland. It is not authorised in the UK, but is recognised under the Financial Conduct Authority's Overseas Funds Regime and section 271A of the Financial Services and Markets Act 2000.

The fund is managed by Waystone Management Company (IE) Limited (the "Manager"), which is incorporated in Ireland and authorised by the Central Bank of Ireland. Northern Trust Fiduciary Services (Ireland) Limited is the appointed Trustee pursuant to the relevant Trust Deeds and is incorporated in Ireland and authorised by the Central Bank of Ireland. The Manager has appointed Sarasin & Partners LLP as the Investment Manager of the fund.

UK investors should be aware that if they invest in the fund, they will not be able to refer a complaint against the Manager or the Trustee to the UK Financial Ombudsman Service. Any claims for losses relating to the Manager or the Trustee will not be covered

by the UK Financial Services Compensation Scheme, in the event that either entity should become unable to meet its liabilities to investors. Prospective investors should consider obtaining financial advice from a professional adviser before deciding to invest.

The investment which is promoted concerns the acquisition of units in a fund, and not in a given underlying asset owned by the fund. The fund may not be appropriate for investors who plan to withdraw their money within five years. The decision to invest in the fund should take into account all the characteristics or objectives of the fund as described in the Prospectus. Information on sustainability-related aspects of the fund is available on the website. Prospective investors should review the Prospectus carefully, including the section on 'Risk Factors', prior to making any final investment decisions. The Prospectus, the KIID/KID for the relevant class, as well as the annual and half-yearly reports, are available in English free of charge via the relevant product pages on our website or upon request.

The fund may not be distributed to investors in jurisdictions where such distribution would be unlawful. The Manager reserves the right to reject any applications from investors outside of the jurisdictions where the fund is registered for sale. US Persons are not permitted to subscribe for units in the fund.

The Manager reserves the right to terminate any arrangements made for marketing the fund. A summary of investor rights can be obtained [here](#) and is available in English.

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