Clarion Partners Real Estate Income Fund

Fund summary

Clarion Partners Real Estate Income Fund (the "Fund") is a daily valued, continuously offered '40 Act real estate fund that holds a strategically diversified portfolio of real estate assets across property types and geographic regions. The Fund is managed by Clarion Partners, a registered investment adviser with 1,459 properties and $73.1 billion in real estate assets under management.[1]

Fund strategy

The Fund seeks to generate attractive current income with the potential for long-term appreciation and favorable risk-adjusted returns by investing in a portfolio of private commercial real estate and publicly traded real estate securities. The Fund offers direct access to institutional-quality private real estate via Clarion's real estate platform, tenured investment team and deep understanding of macro and fundamental real estate dynamics gained over many market cycles.

5 YEAR ANNIVERSARY

Investment Update

Post District - Salt Lake City, UT[2]

The Fund has a 31% allocation to private real estate debt investments which included an investment in Post District, a mezzanine loan originated in 2023 for the recapitalization of a 580-unit multifamily community located in a Qualified Opportunity Zone (QOZ) in Salt Lake City, UT. The Sponsor is an experienced developer based in Salt Lake City, and a leader in the QOZ space having raised one of the largest platforms in the nation to date. The property spans an entire city block and is adjacent to a mixed-use development providing an attractive live-work-play environment. The location provides superior connectivity to the larger metro, offering proximity to I-15, I-80, and the city's light rail system which provide access to additional employment and entertainment hubs. The Salt Lake City metro continues to exhibit an attractive demographic profile and healthy employment outlook and is home to a diversified employment base of financial services, government, healthcare, education, and technology firms.

At the time of origination, the property was 90% complete with three out of five buildings stabilized. Loan proceeds funded the project's remaining construction and lease-up, which were both completed ahead of schedule and above underwritten rental rates. As a result, the Sponsor was able to repay the Fund's loan ahead of schedule, which we believe contributed to strong performance for the investment.

Institutional-quality: An institutional-grade, or institutional-quality property generally refers to a property of sufficient size and stature to merit attention from large national or international investors.

1. As of March 31, 2025. FTFA is the investment manager of the Fund. Clarion Partners is the investment sub-adviser.

2. As of June 30, 2025 Post District is 0.0% of relative percentage of the holding of the entire portfolio (100%).

National Industrial Outdoor Storage Portfolio[3]

Portfolio managers

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U.S. market update

- Economic data continues to suggest that the U.S. economy remains on solid footing. As of Q2, total employment grew by a relatively healthy 450,000 jobs Q/Q and the unemployment rate stood at 4.1%, consistent with an economy at full employment.[4] However, the threat of a renewed trade war and the rising probability of recession have clouded the near-term economic and interest rate outlooks. Due in large part to the prospect of slowing GDP growth and a reacceleration of inflation, the Fed is maintaining a "wait-and-see" approach, only signaling for two rate cuts this year, starting in September. Despite the elevated uncertainty, the resilience of the U.S. economy and expectations for lower short-term interest rates are positives for commercial real estate moving forward.
- Following a period of elevated interest rates and a challenging capital markets environment, commercial real estate transaction activity, although still relatively subdued, appears to gradually be improving.[5] Additional Fed rate cuts and a subsequent lowering in debt costs may support sales volume and valuations in the back half of 2025, although uncertainty around the volatility of long-term rates, escalating geopolitical tensions, tariffs and immigration may keep some investors on the sidelines.
- Tighter lending conditions and elevated construction costs have led to a substantial reduction in construction starts across property types,which should support solid NOI growth going forward.[6] Our investment strategy remains focused on sectors that are poised to benefit from favorable, structural demand tailwinds, bolstering tenant demand during periods of economic turbulence and rising uncertainty.

Fund highlights

- The Fund continued its prudent use of leverage while adding asset-level leverage where the Fund believes it is accretive. In the second quarter the Fund closed on a 5-year, fixed rate loan supported by Martinique Bay, a 256-unit, garden-style apartment community in Henderson, NV. The overall portfolio leverage ratio, inclusive of property level debt, ended the quarter at 12.3%.
- The Fund maintained a consistent $0.067/share monthly distribution throughout the quarter.[7]
- The Fund completed one mezzanine loan origination subsequent to quarter end, Agellan Portfolio III. The loan refinances a 29-property portfolio located across seven states: Texas, Georgia, Florida, Indiana, Kentucky, Illinois, and Maryland. In 2025, the industrial warehouse portfolio achieved lease tradeouts reflecting average rent increases of 56.9% and has a weighted average lease term of approximately 4 years remaining, suggesting strong mark-to-market opportunities as leases rollover.

3. Characteristics and holdings weightings are based on total portfolio (unless otherwise noted) , are subject to change at any time, and are provided for informational purposes only. Not to be construed as a recommendation to purchase or sell any security. There can be no assurance that any unrealized investment described herein will prove to be profitable. As of June 30, 2025 the investments above represent the below relative percent of the entire portfolio holdings (100%): Martinique Bay 5.3%. As of July 7, 2025 Agellan Portfolio III is approximately 4.8%..

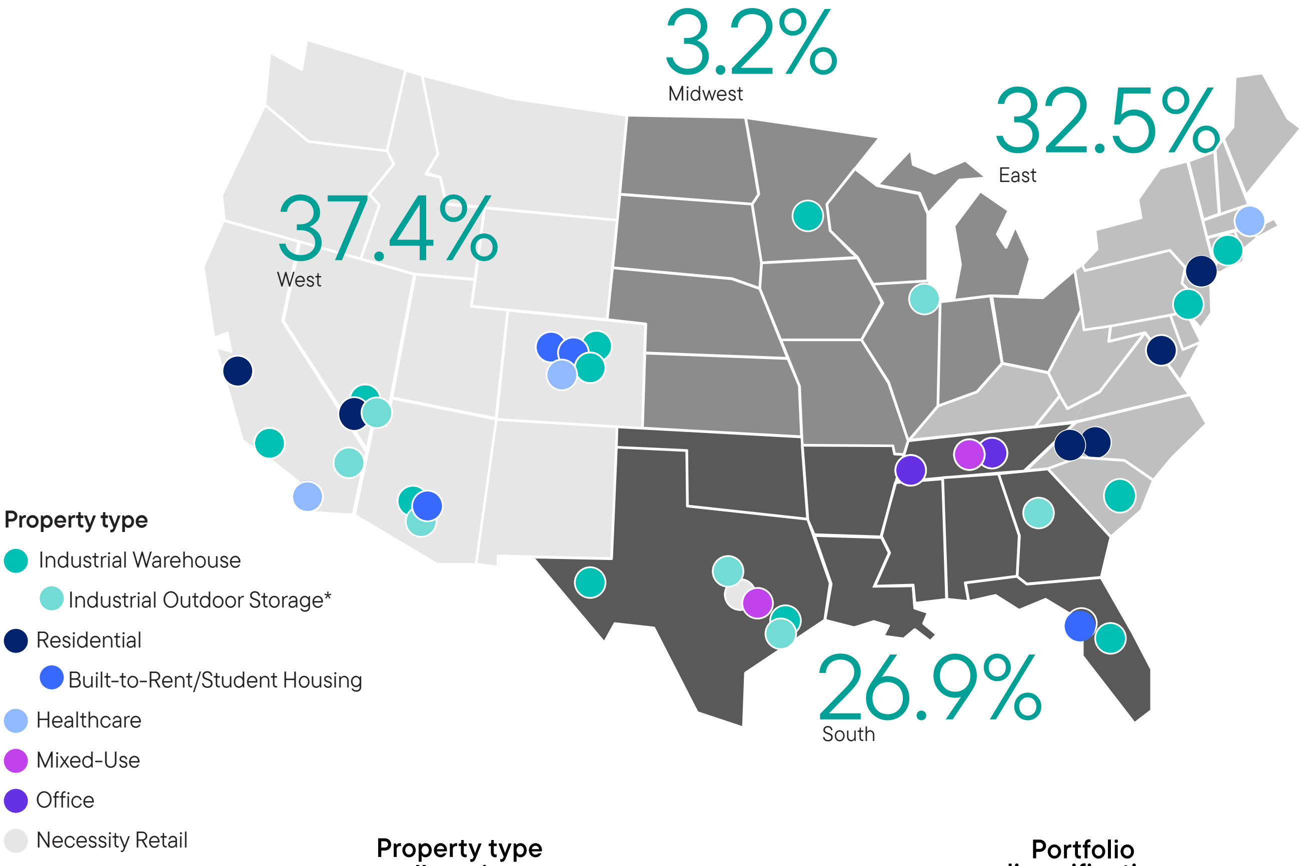
4. BLS, Moody's Analytics, Clarion Partners Global Research

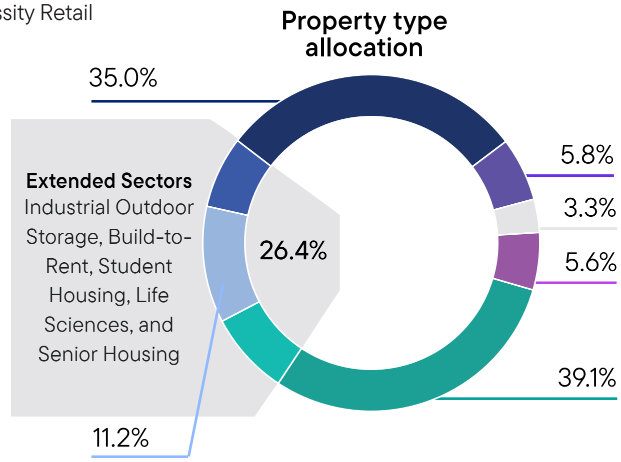
5. MSCI Real Capital Analytics, Clarion Partners Global Research

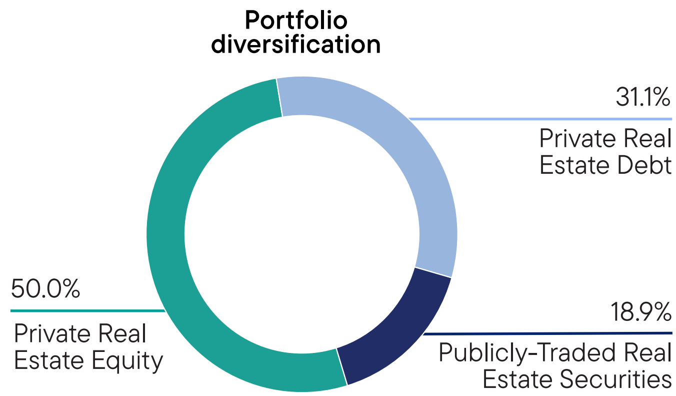
6. U.S. Census Bureau, Moody's Analytics, CBRE-EA, Dodge, Clarion Partners Global Research

7. Distribution Rate is calculated by annualizing the most recent distribution amount paid, divided by the closing market price or NAV as of the date indicated. The Distribution Rate calculation includes return of capital, and excludes special distributions. The Distribution Rate is not guaranteed, subject to change, and is not a quotation of fund performance. CPREX intends to make distributions necessary to maintain its qualification as a real estate investment trust. However, there is no assurance that we will pay distributions in any particular amount, if at all. Any distributions we make will be at the discretion of our board of directors. CPREX may pay distributions from sources other than cash flow from operations, including without limitations, the sale of assets, borrowings, return of capital or offering proceeds. This statement is not an indication of the tax treatment of any CPREX distributions. Stockholders will be informed of the tax characteristics of any distributions after the close of CPREX's fiscal year. For the 2024 tax year, 57% of CPREX's distributions were classified as Return of Capital ("ROC"), while 43% were treated as taxable income. As of June 30, 2025, the Class I net distribution rate is 7.00%, the Class D net distribution rate is 6.58%, the Class S net distribution rate is 6.17% and the Class T net distribution rate is 6.26%.

Current portfolio investments[8]







Glossary

Gross domestic product (GDP): the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health.

Submarket: A submarket is a smaller part of a larger real estate market. Submarkets are often identified as neighborhoods or suburbs within the larger metropolitan area.

*Some investment portfolios may include more than one property

8. Map of closed investments as of June 30, 2025. Please see important disclosures at the end of this document for further information. Asset allocations are based on the Net Asset Value of each asset as a percentage of the Net Asset Value of the portfolio. Geographic, Property Type and Property Holdings allocations are based on the Gross Real Estate Value of each asset as a percentage of the Gross Real Estate Value of the Private Real Estate sleeve.

Performance shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than the original cost. For performance data including the effects of sales charges, Class S shares reflect the deduction of a maximum front-end sales charge of 3.5%. Class T shares reflect the deduction of a maximum front-end sales charge of 3% and a dealer manager fee of 0.5%. Total returns assume the reinvestment of all distributions at net asset value and the deduction of all Fund expenses. Total return figures are based on the NAV per share applied to shareholder subscriptions and redemptions, which may differ from the NAV per share disclosed in Fund shareholder reports. Performance shown excluding sales charges would have been lower, if the applicable sales charge been reflected. Had fees not been waived in various periods performance would have been lower. All classes of shares may not be available to all investors or through all distribution channels. For the most recent month-end information, please visit **www.cprex.com**.

This is not an offer to sell, or a solicitation of an offer to buy, securities. Investment in real estate and real estate derivatives entails significant risk and is suitable only for certain qualified investors as part of an overall diversified investment strategy and only for investors able to withstand a total loss of investment.

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Franklin Templeton does not provide recommendations or asset allocation advice.

INVESTMENT RISKS

Past performance is no guarantee of future results. All investments involve risk, including loss of principal. Diversification does not ensure against loss. An investment should be considered long-term within a multi-asset portfolio and should not be viewed individually as a complete investment program. The Fund is subject to a high degree of risk; additional risk considerations are listed:

LEVERAGE RISK:

The Fund and/or its subsidiaries employ leverage, which increases the volatility of investment returns and subjects the Fund to magnified losses if an underlying fund's investments decline in value.

LIQUIDITY RISKS

The Fund should be viewed as a long-term investment, as it is inherently illiquid and suitable only for investors who can bear the risks associated with the limited liquidity of the Fund. Limited liquidity is provided to shareholders only through the Fund's quarterly repurchase offers for no more than 5% of the Fund's shares outstanding at net asset value. There is no guarantee these repurchases will occur as scheduled, or at all. Shareholders may not be able to sell their shares in the Fund at all or at a favorable price.

REAL ESTATE INVESTMENT RISKS

The Fund's investments are highly concentrated in real estate investments, and therefore will be subject to the risks typically associated with real estate, including but not limited to fluctuations in lease occupancy rates and operating expenses, variations in rental schedules, which in turn may be adversely affected by local, state, national or international economic conditions. Such conditions may be impacted by the supply and demand for real estate properties, zoning laws, rent control laws, real property taxes, the availability and costs of financing, and environmental laws.

Furthermore, investments in real estate are also impacted by market disruptions caused by regional concerns, political upheaval, sovereign debt crises, and uninsured losses (generally from catastrophic events such as earthquakes, floods and wars). Investments in real estate related securities, such as asset-backed or mortgage-backed securities are subject to prepayment and extension risks.

PRIVATE MARKET INVESTMENTS RISKS

An investment in the Fund is suitable only for investors who can bear the risks associated with private market investments (such as private credit and private equity) with potential limited liquidity. Shares will not be listed on a public exchange, and no secondary market is expected to develop.

Any reference to or use of the terms "registered" or "registered investment adviser" does not imply that Clarion Partners or any person associated with Clarion Partners has achieved a certain level of skill or training.

Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, and summary prospectus, if available, at www.cprex.com. Please read the prospectus carefully before investing.

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