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QUARTERLY UPDATE

October - December 2023

28 February 2024



US Masters
Residential
Property Fund



Executive Summary

Welcome to the US Masters Residential Property Fund's (**URF or Fund**) Quarterly Report for the period 1 October 2023 to 31 December 2023, to accompany the release of the Fund's Full-Year Statutory Accounts for 2023.

During the full-year, excluding an impairment to investment properties due to damage of A\$2.7million, the Fund recorded a modest positive fair value movement of 0.26% across the portfolio, with all three segments ultimately remaining largely stable. The full-year result saw the New Jersey Workforce and New York Premium segments record a slight gain of 0.59%, and 0.72% respectively, while the New Jersey Premium neighborhood recorded a decrement of -1.42%.

The Fund recorded a total comprehensive loss of A\$18.6 million for the full year, compared to a total comprehensive income of A\$35.1 million in the prior year. In preceding periods, asset value growth and favourable currency movements have outweighed the Fund's operating losses and allowed the Fund to generate a profit. As has been previously advised, following the reimplementation of the asset sales program (and accompanying transaction costs and drag on portfolio cash flows as assets are held vacant for sale) it is expected that the Fund will likely incur increased operating losses while it focuses on selling assets and returning capital to unitholders.

To that end, during the fourth quarter of 2023 the Fund closed on US\$23.57 million in sales across 11 transactions, taking the full-year 2023 sales to a total of US\$53.8 million across 31 assets. As of the end of the December, the Fund had a total of US\$62.3 million worth of assets in the sales pipeline which were either under contract, on the market, or being prepared for sale.

Outside of the Brooksville Joint Venture, the Fund has continued the process of exiting its multifamily assets with Urban American. As was previously announced, the Fund remains under contract to sell its equity interest in the Joint Venture which owns the largest multifamily asset (in Astoria, Queens) to Urban American. This asset represents A\$4.6 million of the A\$5.9 million total equity across all three partnerships and has an anticipated closing date of June 2024. The Fund will continue to seek a resolution for the remaining two multifamily assets, whether it be exiting to Urban American or a third party buyer.

As was stated in the Chair's Letter of the 30 June 2023 accounts, assuming that local property market conditions hold, the Fund expects that sales volume will continue to progressively increase over time (albeit non-linearly on a month-to-month basis). The Fund has set a target of US\$150 million in property sales during the 2024 calendar year. This sales volume represents a sizeable increase compared to the 2023 sales volume and while this is a target (not a forecast), it is representative of Brooksville's commitment to increasing the pace of the asset sales program in an effort to return capital to investors as efficiently and expeditiously as possible.

During 2023, in addition to utilising the sales proceeds for on-market buybacks and a \$0.01 per unit special distribution to Unitholders in July, the proceeds of the aforementioned property sales were used to repay a total of US\$31.1 million of debt from the Global Atlantic Term Loan. The Fund closed the year with a loan balance of US\$312.4 million.

Looking at the Fund's operational results, the full-year 2023 General & Administrative (G&A) expenses were A\$12.7 million. Excluding one-off items, the 2023 result is largely flat (+1%) when compared to the corresponding period in 2022, where the fund incurred a large number of one-off expenses. Turning to the Funds From Operations (FFO), during 2023 the Fund recorded an unadjusted loss of A\$11.4m, which is a slight increase from the full year 2022 result of A\$10.5 million. Excluding disposal costs and one-off items, the FFO loss for the 2023 year was A\$6.7 million.

Lastly, E&PIL are continuing to work on a potential internalisation of the RE of URF. It is still expected that any proposal to internalise the RE would be available to Unitholders in advance of a general meeting expected to be held towards the end of the second quarter of calendar year 2024. This will be subject to an appropriately licensed company being in place by that time to take on the role of RE for the Fund.

As always, investor feedback and questions can be directed to the Fund's Investor Relations team at URFInvestorRelations@usmrpf.com.





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Portfolio Valuation

At the end of 2023, the Fund conducted its regular six-monthly asset valuation process. Consistent with prior periods, this was conducted by obtaining asset-specific appraisals using the comparable sales methodology from a panel of independent brokers and real estate valuers.

For the half-year, specific appraisals were obtained on 56% of the portfolio by number and 55% of the portfolio by value. These results were then used to calculate neighbourhood-specific adjustment figures, which were subsequently applied to the remainder of the portfolio on a neighbourhood-by-neighbourhood basis.

The aggregate result of this process for the 1-4 family portfolio for the half-year ended 31 December 2023 below (in USD):

Portfolio Segment	Opening Book Value	Closing Book Value	Change	Half Year Movement
New Jersey Workforce	\$187,707,301	\$191,414,945	\$3,707,644	1.98%
New Jersey Premium	\$119,182,279	\$116,912,775	-\$2,269,505	-1.90%
New York Premium	\$296,691,234	\$290,006,329	-\$6,684,906	-2.25%
Total	\$603,580,815	\$598,334,048	-\$5,246,767	-0.87%

The continued resilience of the local property market amidst various headwinds was encouraging for the Fund during 2023. Despite persistent increases in interest (and mortgage) rates putting substantial pressure on homeowner affordability, the prospect of a stabilising or decreasing interest rate environment in 2024, combined with continued lack of inventory across the Fund's various sub markets, could continue to buoy the Fund as it progresses through its sales program.

During the first half of the year (to 30 June 2023), the portfolio's fair value gain was largely driven by the New York Premium segment (+2.9%), while the New Jersey Workforce segment recognised a minor decrease in value (-1.3%). This weakness within the Workforce segment reversed during the second half of the year, as the improving rate environment appears to have led to increased strength in workforce-style properties, a portion of the portfolio that is largely composed of multi-unit or entry-level price point homes that appeal to both homeowners and small investors who may live in one unit and rent the others to tenants. Over the second half of the year (to 31 December 2023), the Fund realised a negative fair value movement of USD\$5.25 million, or -0.87%, as outlined in the table above.

All told, each of the three segments remained largely stable for the full year ended 31 December 2023. Excluding an impairment on properties due to damage of US\$1.8 million, the Fund recorded a total fair value movement of 0.26%, or US\$1.6 million for the year ended 31 December 2023.

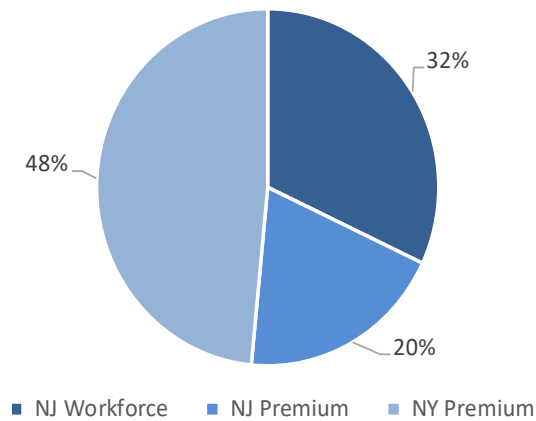
As previously announced, the Fund remains under contract to sell its equity interest in the Joint Venture which owns the largest multifamily asset (in Astoria, Queens) to Urban American, with this asset representing A\$4.6 million of the A\$5.9 million total equity across all three partnerships and an anticipated closing date of June 2024. The Fund will continue to seek a resolution for the remaining two multifamily assets, whether it be exiting to Urban American or a third party buyer.

The aggregate valuation change equates to a -0.2% change in the pre-tax Net Asset Value (NAV).

Portfolio Composition

The following breakdown represents the Fund's 1-4 family portfolio as at 31 December 2023. At the end of the period, the Fund held 444 1-4 family properties for a total value of US\$598.3 million.

Portfolio Composition
(by value)



Location	Value (USD)	Property Count	Location	Value (USD)	Property Count
NJ Workforce	\$191,414,945	281	NY Premium	\$290,006,329	99
Bayonne	\$35,270,246	53	Bedford-Stuyvesant	\$89,197,919	33
Bergen-Lafayette	\$7,508,853	10	Boerum Hill	\$6,350,000	1
Greenville	\$38,033,911	64	Bushwick	\$21,225,640	14
Jersey City Heights	\$44,452,705	53	Clinton Hill	\$14,491,000	4
Journal Square	\$19,241,211	26	Cobble Hill	\$7,300,000	2
North Bergen	\$4,799,671	8	Crown Heights	\$29,327,764	12
Secaucus	\$480,000	1	Lefferts Garden	\$3,708,200	1
Union City	\$2,982,348	4	Fort Greene	\$8,065,707	2
West Bergen	\$37,011,786	59	Park Slope	\$27,594,792	5
West New York	\$1,634,214	3	Prospect Heights	\$4,850,000	1
NJ Premium	\$116,912,775	64	Williamsburg	\$16,082,678	6
Downtown	\$110,217,050	59	Hamilton Heights	\$10,669,292	3
Weehawken	\$6,695,724	5	Harlem	\$51,143,337	15

Source: US REIT.

Asset Sales

During 2023, the Fund closed on the sale of US\$53.8 million in sales across 31 transactions. The year finished strong, with Q4 2023 representing US\$23.6 million of the total sales volume across 11 assets, as outlined below:

Q4 2023

Location	Sales Price (\$USD million)	Book Value (\$USD million)	Transaction Cost (\$USD million)	GA Loan Repayment (\$USD million)
Brooklyn	\$18.36	\$18.81	-\$1.41	\$10.72
Jersey City	\$4.58	\$4.33	-\$0.29	\$1.84
Bayonne	\$0.63	\$0.56	-\$0.04	\$0.36
Total	\$23.57	\$23.70	-\$1.74	\$12.91

Full-Year 2023

Location	Sales Price (\$USD million)	Book Value (\$USD million)	Transaction Cost (\$USD million)	GA Loan Repayment (\$USD million)
Brooklyn	\$32.01	\$32.50	-\$2.45	-\$17.57
Jersey City	\$18.58	\$18.24	-\$0.98	-\$9.78
Bayonne	\$0.63	\$0.56	-\$0.04	-\$0.36
North Bergen	\$0.52	\$0.54	-\$0.03	-\$0.30
Weehawken	\$1.25	\$1.35	-\$0.10	-\$0.78
Union City	\$0.81	\$0.88	-\$0.05	-\$0.52
Total	\$53.79	\$54.06	-\$3.66	-\$29.30

As of 31 December 2023, the Fund had US\$25.8 million of properties under contract or with an accepted offer in place, and US\$36.5 million on the market or in the short-term pipeline for sale. These properties under contract are likely, but not guaranteed, to close.

Category	New York Premium (\$USD million)	New Jersey Premium (\$USD million)	New Jersey Workforce (\$USD million)	Total (\$USD million)
Sales Pipeline	\$5.75	\$5.60	\$1.46	\$12.81
On the Market	\$15.71	\$7.15	\$0.85	\$23.70
Attorney Review or Under Contract	\$12.89	\$10.88	\$2.05	\$25.82
Total	\$34.34	\$23.62	\$4.36	\$62.33

2024 Outlook

The Fund has set a target of US\$150 million in property sales during the 2024 calendar year. This sales volume represents a sizeable increase compared to the 2023 sales volume and while this is a target (not a forecast), it is representative of Brooksville's commitment to pushing the pace of the asset sales program in an effort to return capital to investors as efficiently and expeditiously as possible.

Source: US REIT. Figures may not sum due to rounding.

Capital Management

The Fund's total debt reduced during the quarter, with US\$14.5 million being repaid from the Global Atlantic Term Loan following the settlement of property sales used as collateral for this loan account. Inclusive of other mandatory debt repayments, the Fund's debt reduced by US\$31.1 million over the full-year.

The Global Atlantic Term Loan will continue to be reduced in coming periods as assets that are used as collateral are sold. As properties are sold from the collateral pool, a required repayment will be made to Global Atlantic based on the sold property's allocated loan amount. Residual sales proceeds will continue to be used to fund the on-market buybacks or made available for other capital management opportunities.

Debt Levels & Blended Cost of Interest Calculation

	US\$ Balance at 31-Dec-22	US\$ Balance at 30-Jun-23	US\$ Balance at 30-Sep-23	US\$ Balance at 31-Dec-23
Global Atlantic - Term Loan (4.00%)	343,423,092	331,124,400	326,913,959	312,367,269
Total	343,423,092	331,124,400	326,913,959	312,367,269

Indicative Annual Interest Cost	13,736,924	13,244,976	13,076,558	12,494,691
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Source: US REIT.

Excludes multi-family level debt for investments with Urban American.

The RE continues to believe an on-market buyback (**Buyback**) is an effective means of returning any surplus capital to Unitholders and enables the Fund to maintain an efficient capital structure. During the quarter the Fund executed on the purchase of 4.2 million URF Ordinary shares for an aggregate consideration of A\$1.2 million.

Month End	Ordinary Shares (# million)	Consideration (A\$ million)
October	1.44	\$0.43
November	1.22	\$0.34
December	1.57	\$0.44
Total	4.22	\$1.21

As of 31 December 2023, the Fund had broadly allocated its available capital as outlined in the table below:

Capital Allocation	A\$ Million
Cash Balance	\$36.53
Less: Global Atlantic Liquidity Covenant	-\$14.68
Less: Working Capital	-\$7.34
Less: AFSL Cash Reserve Requirement ¹	-\$3.50
Less: Projected RE Internalisation Restructure Costs ²	-\$1.20
Cash available for capital management	\$9.81

Source: US REIT. 31 December 2023 exchange rate 0.6812 used (AUD:USD).

1. Approximate cash reserve required if the internalisation process is to proceed. The internalisation process is ongoing and it is still expected that any proposal to internalise the RE would be available to Unitholders in advance of a general meeting expected to be held towards the end of the second quarter of calendar year 2024. This will be subject to an appropriately licensed company being in place by that time to take on the role of RE for the Fund.

2. Estimated upfront costs associated with the internalisation of the RE, noting point (1) above.



Portfolio Occupancy

At 31 December 2023, the Fund's 1-4 family portfolio had 92% of its units leased.

The Fund's goal is to have as many properties fully leased as possible, while noting that properties in the sales program may be intentionally left vacant to maximise the potential sales price.

This is particularly relevant when assets advertised for sale are being targeted to an owner-occupier (rather than an investor). Given that the Fund has now re-commenced the sales program in earnest, 35 units were vacant as a part of the sales pipeline. It is expected that the number of units that are vacant prior to sale will continue to increase as the Fund continues to progress with the accelerated sales program.

1-4 Family portfolio (as at 31 December 2023)	Unit Count	%
Leased	758	92%
For Lease or In Turnover	35	4%
Vacant pending sale	35	4%
Total	828	100%

Source: US REIT. Figures may not sum due to rounding.



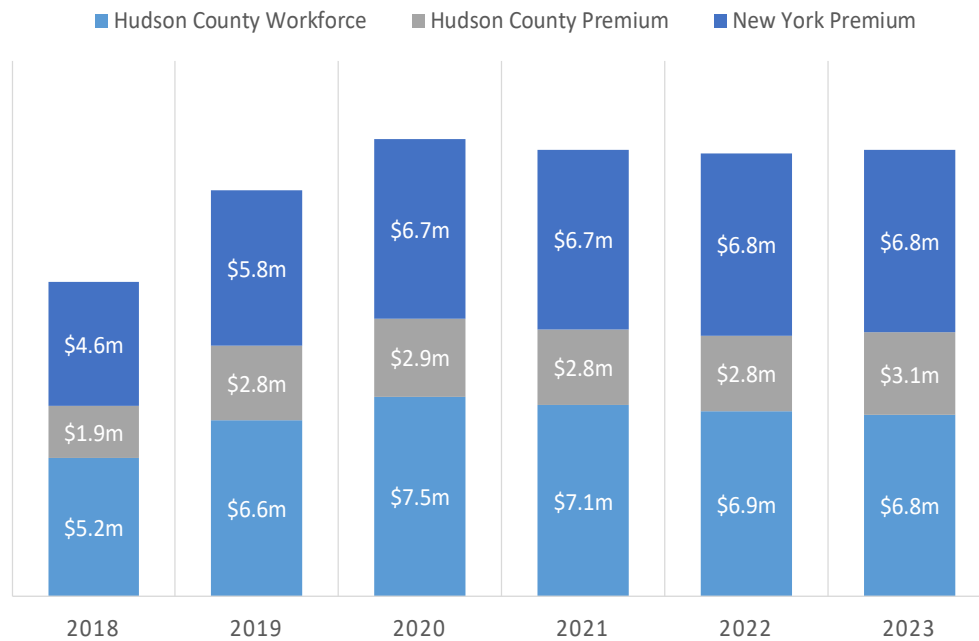
Net Operating Income (NOI)

The Fund is focused on managing the portfolio as efficiently as possible to maximise its NOI, being the net rental revenue that the Fund receives after paying property level expenses.

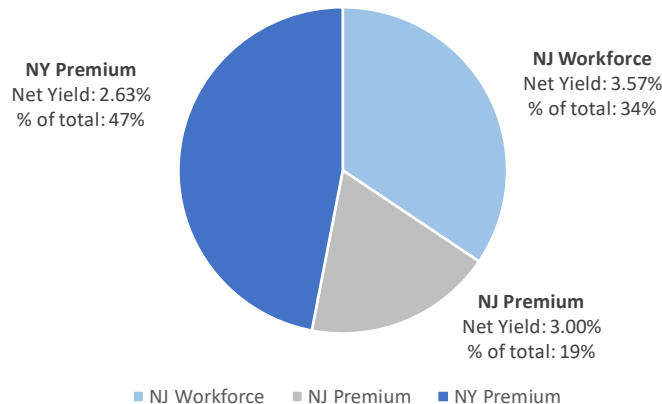
As a result of the sales program, total portfolio revenue is expected to decrease as the portfolio continues to reduce in size and with properties vacated in advance of sale. To remove the impact of the sales program and review income performance in a consistent manner, the following analysis reviews the portfolio on a 'same home' basis, meaning that it only considers assets currently owned, income generating or for lease (but not on the market or under contract for sale), and looks at the income generated by that "stabilised" pool of properties over time.

Looking specifically at NOI for the 12 months to 31 December 2023, the same-home NOI was US\$16.7 million, which is largely unchanged when compared to the full-year 2022 result.

NOI (USD): Same-Home Stabilised 1-4 Family Properties



2023 LTM NOI Yield: Same-Home Stabilised 1-4 Family Properties



Source: US REIT. Figures may not sum due to rounding.

Note: "Same-home" assets by segment will not match the total portfolio distribution as it excludes assets held for sale. LTM refers to last twelve months.

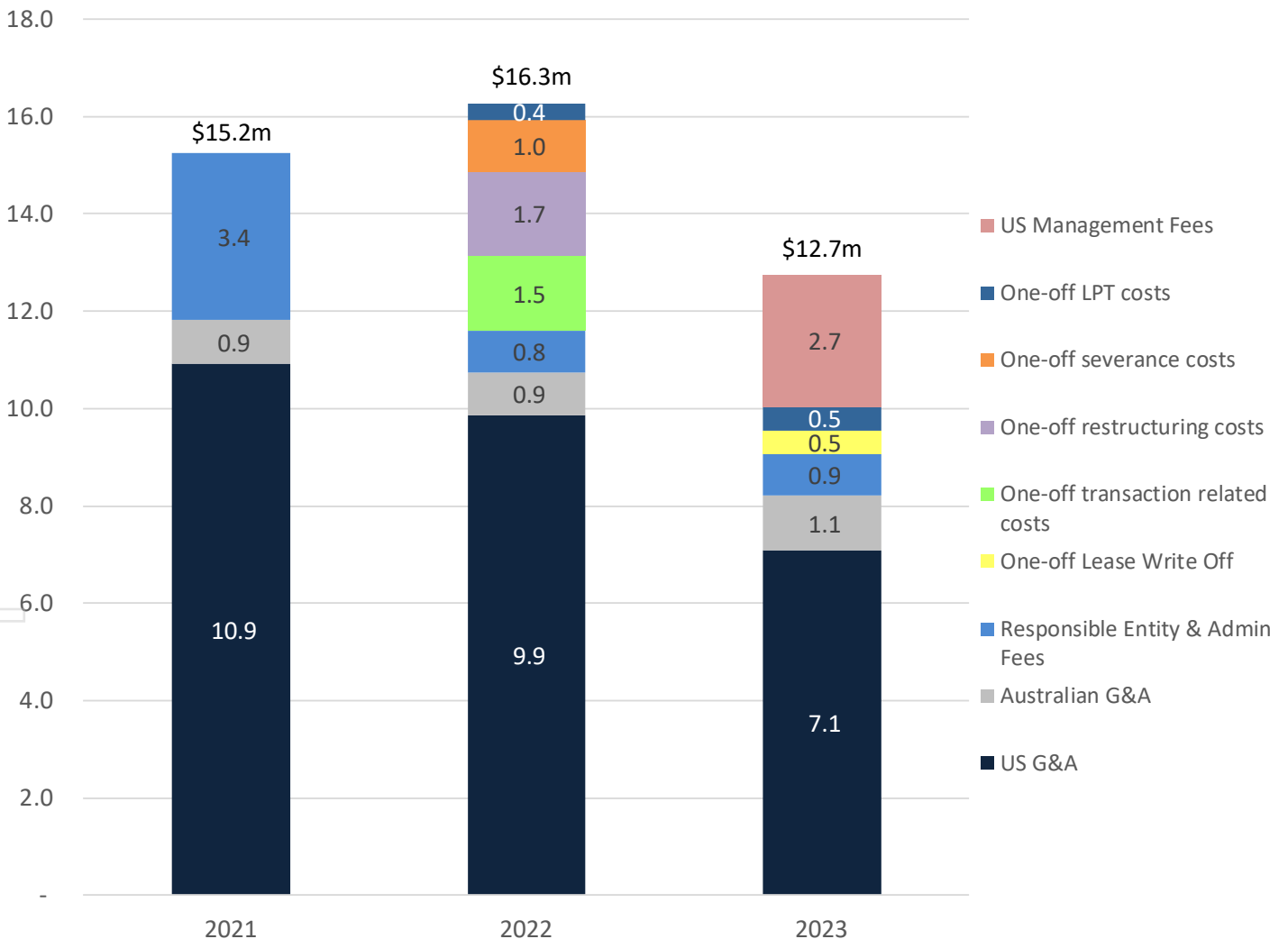
Past performance is not a reliable indicator of future performance.

General and Administrative (G&A) Expenses

Managing and reducing G&A expenses remains a key goal of the Fund, and while the overall G&A change is not expected to be material following the commencement of the Joint Venture with Brooksville (**JV**), the Fund anticipates a reduction in non-recurring expenses compared to prior periods.

The Fund's full-year 2023 G&A expenses were A\$12.7 million. The result represents a 22% reduction from the corresponding period in 2022, and on a normalised basis (excluding all non-recurring expenses), the result is largely flat (+1%) from the same period in 2022 where the Fund incurred a number of one-off items. The 2023 result is as expected, and in line with guidance provided to Unitholders at the commencement of the Joint Venture with Brooksville, with there being no significant increase to the Fund's normalised G&A as a result of the partnership.

G&A Expenses (A\$Millions)



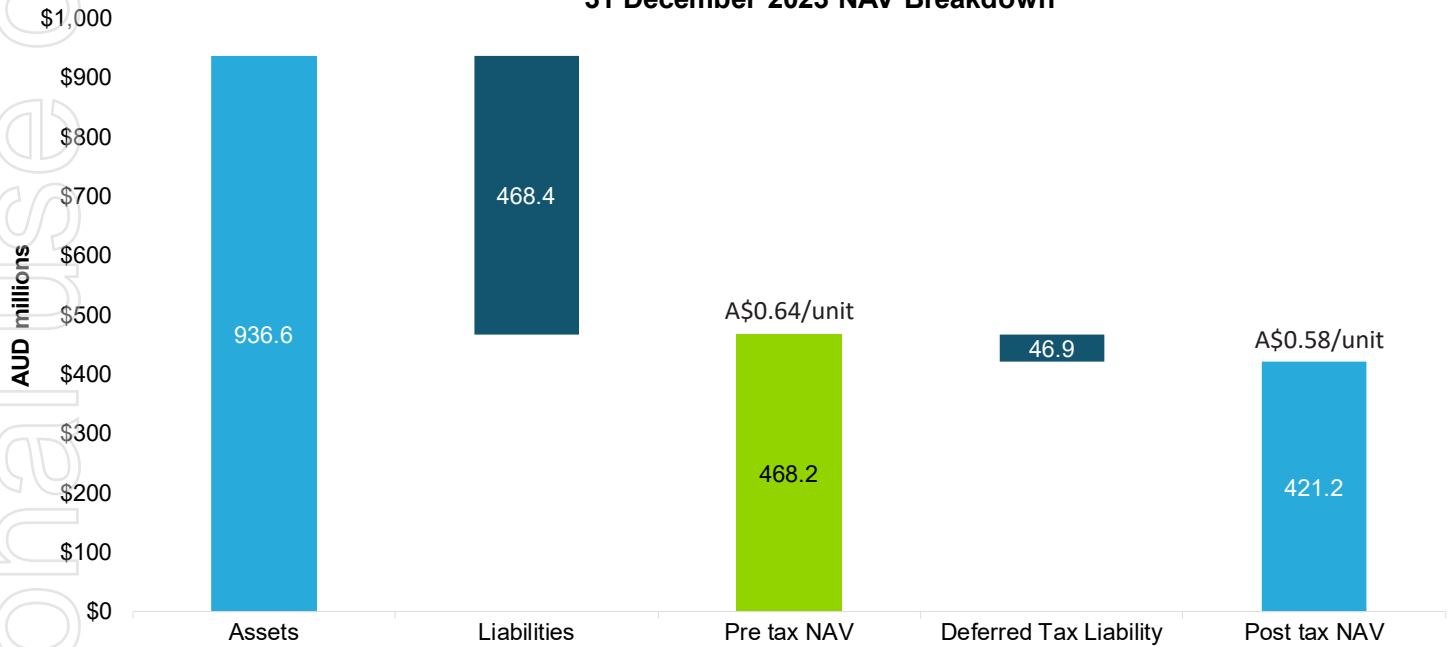
Source: US REIT. AUD/USD average rate of 0.7513, 0.6947 and 0.6644 for 2021, 2022 and 2023 respectively.



Net Asset Value

At 31 December 2023, the pre-tax NAV was A\$0.64 per unit (A\$0.58 post-tax).

31 December 2023 NAV Breakdown



Source: US REIT. Figures may not sum due to rounding.

Fund Cash Flow Profile

The following Funds from Operations (FFO) analysis outlines the Fund's major cash-flow drivers. This excludes non-cash items, such as depreciation, and changes in underlying asset values, as well as capitalised expenses and investor distributions. While these additional factors are vital to reviewing the Fund's overall financial performance, the FFO analysis provides an important overview of the Fund's cash flow position.

Historically, the Fund absorbed cash while it focused on growing and renovating its portfolio. While asset value growth has the ability to outweigh the Fund's operational cash losses and generate a profit, with the reimplementation of the asset sales program (and accompanying transaction costs and drag on portfolio cash flows as assets are held vacant for sale) it is expected that the Fund will likely incur increased operational cash outflows while it focuses on selling assets and returning capital to unitholders.

The Fund recorded an unadjusted FFO loss of A\$11.4 million for the full year ended 31 December 2023. After excluding disposal costs and other one-off items, the Fund's adjusted FFO was A\$6.7 million, representing an increase on the prior year of A\$2.8m. This increase is largely a result of the drag on operational cash flows due to properties being held for sale, as well as unfavourable movements in foreign exchange and increases in the costs of certain unavoidable expenses such as property taxes, insurance and utilities.

While the Fund's long-term strategy of running a sales program to return capital to investors may inhibit the Fund becoming cash-flow positive, Management remains committed to maximising revenue and reducing expenses through every means possible.

A\$	2018	2019	2020	2021	2022	2023
Revenue from Ordinary Operations	38.1	49.7	45.4	39.7	44.1	44.1
One-Off Income	-	-	1.9	-	0.2	-
Insurance Proceeds	-	-	-	-	0.1	1.4
Investment Property Expenses	(16.3)	(19.2)	(14.9)	(13.1)	(16.1)	(19.1)
Investment Property Disposal Costs	(3.6)	(4.3)	(5.7)	(7.3)	(2.2)	(5.6)
G&A	(25.1)	(22.2)	(16.0)	(15.1)	(11.7)	(11.6)
One-Off Refinancing Costs - G&A	-	-	(1.3)	-	-	-
One-Off Transaction Related Costs - G&A	-	-	-	-	(1.5)	-
One-Off Restructuring Costs - G&A	-	-	-	-	(1.7)	-
One-Off Severance Costs - G&A	-	-	-	-	(1.0)	-
One-Off LPT Costs - G&A	-	-	-	-	(0.4)	(0.5)
EBITDA	(6.9)	4.0	9.4	4.2	9.7	8.7
EBITDA (excluding disposal costs and one-off items)	(3.4)	8.3	14.5	11.5	16.2	13.4
Net Interest Expenses (Excluding Notes Interest)	(20.5)	(21.2)	(16.6)	(21.2)	(20.1)	(20.1)
One-Off Refinancing Costs - Interest	-	-	(0.4)	-	-	-
Notes Interest	(21.7)	(19.8)	(13.0)	(0.3)	-	-
Funds From Operations (FFO)	(49.0)	(37.1)	(20.7)	(17.4)	(10.5)	(11.4)
FFO (excluding disposal costs and one-off items)	(45.5)	(32.8)	(15.1)	(10.0)	(3.9)	(6.7)

Source: US REIT. Excludes Convertible Preference Unit (URFPA) distributions as they are equity distributions. AUD/USD average rate of 0.7476, 0.6953, 0.6910, 0.7513, 0.6947 and 0.6644 for 2018, 2019, 2020, 2021, 2022 and 2023 respectively. FFO is reported on a cash accounting basis.

Figures in table may not sum due to rounding.





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Important Information

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