



Personal use only

QUARTERLY UPDATE

July - September 2023

1 November 2023

Executive Summary

Welcome to the US Masters Residential Property Fund's (**URF or Fund**) Quarterly Report for the period 1 July 2023 to 30 September 2023.

During the third quarter of 2023, the Fund closed on US\$8.4 million in sales across seven transactions. This takes the year-to-date property sales to 20 assets for a total of US\$30.2 million. As of the end of the quarter, the Fund had a total of US\$81.9 million worth of assets in the sales pipeline which were either under contract, on the market, or being prepared for sale.

Additionally, during the period the Fund's joint venture partner (Urban American) agreed to acquire the Fund's economic interest in the multi-family property located at 30-58/64 34th Street, Astoria. The Fund's economic interest in the property is US\$3.2 million (30 June 2023: US\$3.4 million excluding transaction costs) and settlement is expected to occur in the first half of 2024. The other two multi-family assets that the Fund owns jointly with Urban American continue to be marketed for sale. If and when these assets transact, the proceeds are expected to be utilised to continue returning capital to Unitholders, either via a continuation of the Buyback program or through special distributions.

The Fund's operational results remained strong, with Q3 2023 General & Administrative (G&A) expenses coming in at A\$2.6 million. Excluding disposal costs and other one-off items, the 2023 YTD result is 13% lower than the corresponding period in 2022, and 31% lower than the corresponding period in 2021.

On a same-home basis, the Fund's same-home trailing 12-month NOI to 30 September 2023 was US\$16.9 million, essentially unchanged from the corresponding period in 2022.

During the third quarter, the Fund recorded an unadjusted Funds From Operations (FFO) loss of A\$4.2m. Excluding items, the FFO loss for 2023 year to date was A\$2.7 million. Pleasingly, the annualised result for 2023 – adjusted for reduced disposal costs and one-off expenses – represents an 8% improvement compared to the full-year 2022 result.

As advised during Q2 2023, in line with E&P Financial Group's stated strategic objective to exit non-core businesses, E&PIL continue 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.

For personal use only





Contents

2

Executive Summary

4

Portfolio Composition

5

Asset Sales

6

Capital Management

7

Portfolio Occupancy

8

Net Operating Income

9

General & Administrative
Expenses

10

Net Asset Value

11

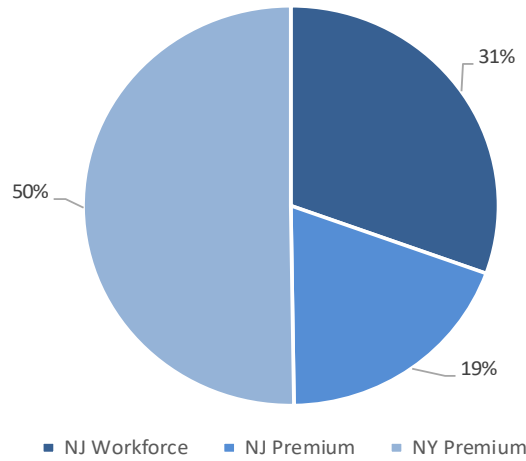
Fund Cash Flow Profile



Portfolio Composition

The following breakdown represents the Fund's 1-4 family portfolio as at 30 September 2023.

Portfolio Composition
(by value)



For personal use only

Location	Value (USD)	Property Count	Location	Value (USD)	Property Count
NJ Workforce	\$190,767,382	285	NY Premium	\$314,195,770	104
Bayonne	\$33,810,324	54	Bedford-Stuyvesant	\$95,296,164	35
Bergen-Lafayette	\$6,952,931	10	Boerum Hill	\$10,915,920	2
Greenville	\$36,854,288	64	Bushwick	\$21,619,134	14
Jersey City Heights	\$49,429,422	56	Clinton Hill	\$12,582,122	4
Journal Square	\$18,387,390	26	Cobble Hill	\$7,121,213	2
North Bergen	\$4,446,685	8	Crown Heights	\$30,270,704	12
Secaucus	\$480,000	1	Lefferts Garden	\$3,708,200	1
Union City	\$2,910,344	4	Fort Greene	\$12,399,170	3
West Bergen	\$35,699,214	59	Park Slope	\$32,550,448	6
West New York	\$1,796,784	3	Prospect Heights	\$4,659,600	1
NJ Premium	\$120,370,867	63	Williamsburg	\$18,265,729	6
Downtown	\$113,160,760	58	Hamilton Heights	\$11,956,714	3
Weehawken	\$7,210,107	5	Harlem	\$52,850,651	15

Source: US REIT.

Asset Sales

During the third quarter of 2023, the Fund closed on the sale of US\$8.4 million in sales across seven transactions, taking the year-to-date property sales to 20 assets for a total of US\$30.2 million. Further detail on the Q3 2023 and full-year 2023 sales are available in below table:

Q3 2023

Location	Sales Price	Book Value	Transaction Costs	GA Loan Repayment
Jersey City	\$6.29	\$6.30	-\$0.29	-\$3.32
Brooklyn	\$2.10	\$2.10	-\$0.18	-\$0.89
Total	\$8.39	\$8.40	-\$0.46	-\$4.21

Full-Year 2023

Location	Sales Price	Book Value	Transaction Costs	GA Loan Repayment
Jersey City	\$14.00	\$13.91	-\$0.69	-\$8.00
North Bergen	\$0.52	\$0.54	-\$0.03	-\$0.31
Weehawken	\$1.25	\$1.35	-\$0.10	-\$0.78
Brooklyn	\$13.65	\$13.69	-\$1.05	-\$6.90
Union City	\$0.81	\$0.88	-\$0.05	-\$0.52
Total	\$30.22	\$30.37	-\$1.92	-\$16.51

As of 30 September 2023, the Fund also had US\$16.3 million of properties under contract or with an accepted offer in place, and US\$65.6 million on the market or in the short-term pipeline for sale. These properties under contract are likely, but not guaranteed, to close.

Category	NY Premium (\$USD Million)	NJ Premium (\$USD Million)	NJ Workforce (\$USD Million)	Total
Sales Pipeline	\$18.94	\$11.11	\$1.99	\$32.04
On the Market	\$23.87	\$8.23	\$1.45	\$33.55
Attorney Review or Under Contract	\$10.34	\$2.54	\$3.47	\$16.35
Total	\$53.15	\$21.89	\$6.90	\$81.94

While the individual asset sales program continues to progress, Brooksville have continued negotiations with New York and New Jersey brokerage firms regarding a structured agreement for the asset-by-asset sales program. As it relates to the individual asset sales program, assuming market conditions allow, it is expected that the sales volume in 2H 2023 will exceed 1H 2023, with 2024 sales volume exceeding that of 2023. Further, Brooksville has been in dialogue with both brokers and prospective counterparties for a sub-portfolio sale focused on New Jersey Workforce assets. Both initiatives continue to be progressed, and Unitholders will be updated if and when either initiative is finalised.

During the period the Fund's joint venture partner (Urban American) agreed to acquire the Fund's economic interest in the multi-family property located at 30-58/64 34th Street, Astoria. The Fund's economic interest in the property is US\$3.2 million (30 June 2023: US\$3.4 million excluding transaction costs) and settlement is expected to occur in the first half of 2024. The other two multi-family assets that the Fund owns jointly with Urban American continue to be marketed for sale.

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

Capital Management

The Fund's total debt reduced during the quarter, with US\$4.2 million being repaid from the Global Atlantic Term Loan following the settlement of property sales used as collateral for this loan account.

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 30-Sep-22	US\$ Balance at 31-Dec-22	US\$ Balance at 31-Mar-23	US\$ Balance at 30-Jun-23	US\$ Balance at 30-Sep-23
Global Atlantic - Term Loan (4.00%)	348,034,311	343,423,092	341,775,265	331,124,400	326,913,959
Total	348,034,311	343,423,092	341,775,265	331,124,400	326,913,959
Indicative Annual Interest Cost	13,921,372	13,736,924	13,671,011	13,244,976	13,076,558

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. On 7 February 2023, the RE announced its proposal to increase the capacity of the Buyback. The Resolution was passed on 1 March 2023 enabling the Fund to buy back a maximum of 25% of the number of issued Units as at the close of trade on 28 February 2023 during the 12 month period from 2 March 2023 (a total of 188,281,107 Units). As at 30 September 2023, the remaining Buyback capacity was 155,416,629. It is not guaranteed that the RE will buy back the maximum number of ordinary units permitted under the Buyback or any ordinary units at all.

During the quarter the Fund executed on the purchase of 10.14 million URF Ordinary shares for an aggregate consideration of \$3.08 million.

Month end	Ordinary Shares (# million)	Consideration (A\$ million)
July	3.07	\$0.93
August	3.95	\$1.20
September	3.13	\$0.95
Total	10.14	\$3.08

As of 30 September 2023, the Fund had broadly allocated its available capital as outlined in the table below:

30 September 2023	\$A Million
Cash Balance	\$32.90
Less: Global Atlantic Liquidity Covenant	-\$15.54
Less: Working Capital	-\$7.77
Cash Available for Capital Management	\$9.59

Source: US REIT. 30 September 2023 exchange rate 0.6435 used (AUD:USD).

Portfolio Occupancy

At 30 September 2023, the Fund's 1-4 family portfolio had 91% 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, 40 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 30 September 2023)	Unit Count	%
Leased	763	91%
For Lease or In Turnover	39	5%
Vacant pending sale	40	5%
Total	842	100%

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

For personal use only.



Net Operating Income (NOI)

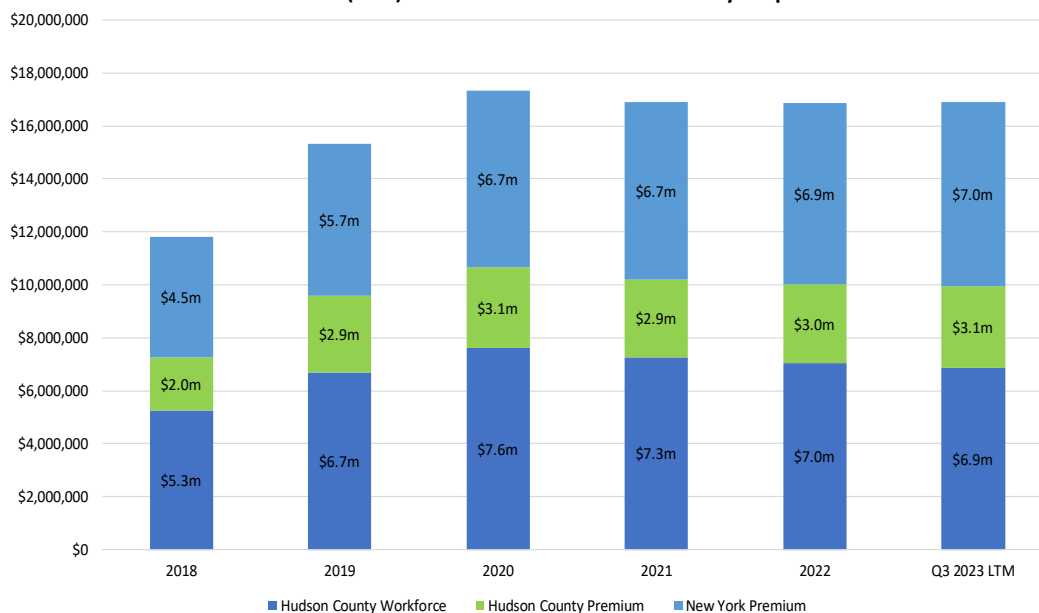
The Fund is focused on managing the portfolio as efficiently as possible to maximise its NOI, being the net rental revenue that the Fund receives after paying property level expenses.

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.

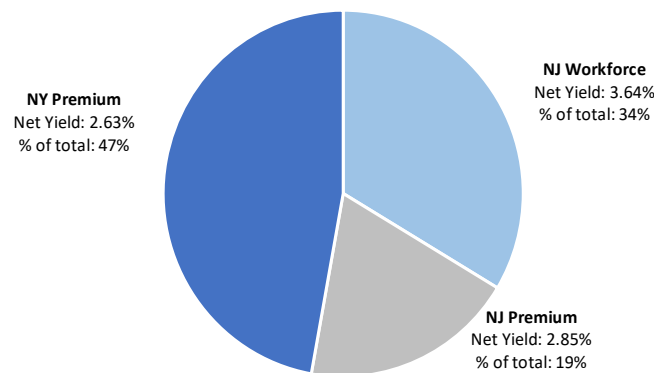
Looking specifically at NOI for the 12 months to 30 September 2023, the same-home NOI was US\$16.9 million. This is largely unchanged when compared to the full-year 2022 result, however the Fund has recorded improved rental rates of 3% on a same-home basis, largely offset by increased property taxes for the year.

For personal use only

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



**Q3 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

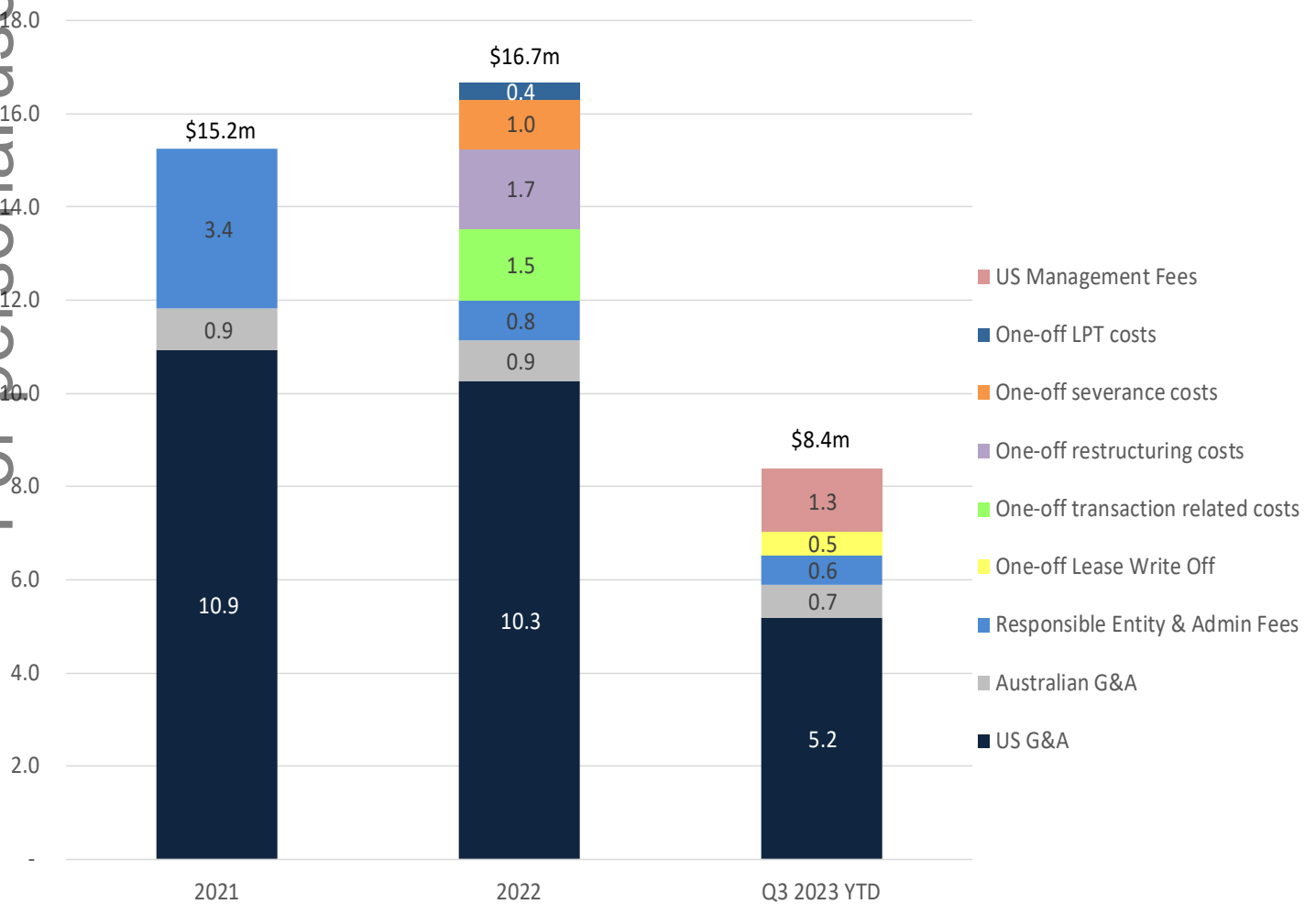
Managing and reducing G&A expenses remains a key goal of the Fund, and while the overall G&A change is not expected to be material following the commencement of the Joint Venture with Brooksville (**JV**), the Fund anticipates a reduction in non-recurring expenses compared to prior periods.

During Q3 2023, the Fund's G&A expenses were A\$2.6 million, taking the full-year 2023 G&A expense to A\$8.4 million. The result represents a 28% reduction from the corresponding period in 2022, and on a normalised basis (excluding all non-recurring expenses), is a 13% reduction from the same period in 2022.

On a normalised basis, the annualised result is expected to be modestly lower than the Fund's full-year 2022 G&A expense of A\$12 million.

For personal use only

G&A Expenses (A\$Millions)



Source: US REIT. Figures may not sum due to rounding. AUD/USD average rate of 0.7513, 0.6947 and 0.6688 for 2021, 2022 and YTD Q3 2023 respectively.



Net Asset Value

At 30 September 2023, the pre-tax NAV was A\$0.70 per unit (A\$0.63 post-tax).

30 September 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, foreign exchange movements 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 and favourable currency movements have 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\$4.2 million to 30 September 2023. After excluding disposal costs and other one-off items, the FFO loss for YTD 2023 was A\$2.7 million. The Fund's unadjusted FFO result for YTD 2023 represents a 24% improvement compared to the same period in 2022, and after adjusting for one-off costs incurred, the result represents an increase of 12% compared to the same period in 2022. On an annualised basis, the result represents an 8% improvement compared to the full-year 2022 result.

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	Q3 YTD 2023
Revenue from Ordinary Operations	38.1	49.7	45.4	39.7	44.1	33.7
One-Off Income	-	-	1.9	-	0.2	-
Insurance Proceeds	-	-	-	-	0.1	1.4
Investment Property Expenses	(16.3)	(19.2)	(14.9)	(13.1)	(15.7)	(13.6)
Investment Property Disposal Costs	(3.6)	(4.3)	(5.7)	(7.3)	(2.2)	(2.9)
G&A	(25.1)	(22.2)	(16.0)	(15.1)	(12.1)	(7.8)
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)	-
EBITDA	(6.9)	4.0	9.4	4.2	9.7	10.8
EBITDA (excluding disposal costs and one-off items)	(3.4)	8.3	14.5	11.5	16.2	12.4
Net Interest Expenses (Excluding Notes Interest)	(20.5)	(21.2)	(16.6)	(21.2)	(20.1)	(15.1)
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)	(4.2)
FFO (excluding disposal costs and one-off items)	(45.5)	(32.8)	(15.1)	(10.0)	(3.9)	(2.7)

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 0.6688 for 2018, 2019, 2020, 2021, 2022 and Q3 2023 respectively. FFO is reported on a cash accounting basis. Figures in table may not sum due to rounding.



Board of the Responsible Entity

Stuart Nisbett INDEPENDENT CHAIR

Peter Shear INDEPENDENT DIRECTOR

Warwick Keneally DIRECTOR

For Further Information

URF Investor Relations

Level 32, 1 O'Connell Street Sydney NSW 2000

www.usmastersresidential.com.au

URFInvestorRelations@usmprf.com

T: +61 3 9691 6110

Important Information

This Quarterly Update (Update) has been prepared by the US REIT, and authorised for release by E&P Investments Limited (ACN 152 367 649 | AFSL 410 433) (Responsible Entity) as the Responsible Entity for the US Masters Residential Property Fund (Fund) (ARSN 150 256 161). An investment in the Fund is subject to various risks, many of which are beyond the control of the Responsible Entity.

This Update may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs. Past performance is not a reliable indicator of future performance. All figures in this presentation are in AUD unless stated otherwise.

This Update may contain statements, opinions, projections, forecasts and other material (forward looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. Neither E&P Investments Limited, the US REIT or their advisers (including all of their respective directors, consultants and/or employees, related bodies corporate and the directors, shareholders, managers, employees or agents of any of them) (Parties) make any representation as to the accuracy or likelihood of fulfilment of the forward-looking statements or any of the assumptions upon which they are based. Actual results, performance or achievements may vary materially from any projections and forward looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and the Parties assume no obligation to update that information.

The Parties give no warranty, representation or guarantee as to the accuracy or completeness or reliability of the information contained in this document. The Parties do not accept, except to the extent permitted by law, responsibility for any loss, claim, damages, costs or expenses arising out of, or in connection with, the information contained in this presentation. Any recipient of this presentation should independently satisfy themselves as to the accuracy of all information contained in this report.

