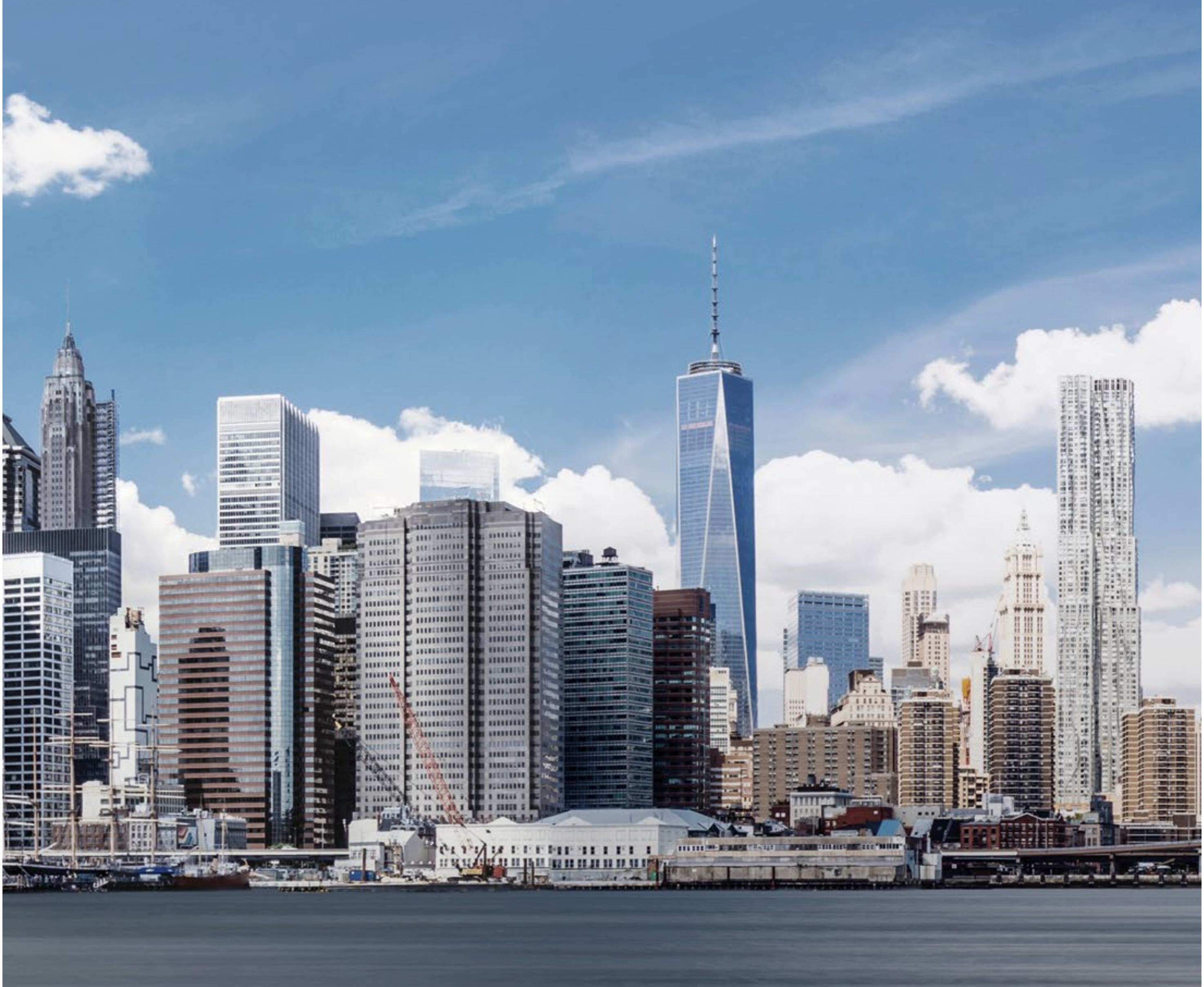
US Masters
Residential
Property Fund

ARSN 150 256 161



Interim Financial Report

For the half-year ended 30 June 2023

Responsible Entity:

E&P INVESTMENTS LIMITED

ACN 152 367 649 | AFSL 410 433

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

FOR THE HALF-YEAR ENDED 30 JUNE 2023

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US MASTERS RESIDENTIAL PROPERTY FUND
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CHAIR'S LETTER

FOR THE HALF-YEAR ENDED 30 JUNE 2023

Dear Investors,

I am pleased to present you with URF's financial results for the half year ending 30 June 2023. The first six months of the year saw the successful implementation of the Brooksville joint venture, as well as the continuation of the Fund's asset sales and buyback program – all a part of URF's ongoing effort to continue to deliver value to unitholders. Despite continued uncertainty within financial markets globally, the Fund enjoyed the positive tailwinds of modest property price appreciation within its portfolio (albeit below the level seen in the prior corresponding period), as well as favourable foreign exchange movements. These two factors contributed to the Fund achieving a total comprehensive income of A$8.2 million for the half year, as compared to A$32.7 million in the prior period.

Outside of the half year financial results – and as has been outlined in ongoing investor communications – the joint venture between the Fund and Brooksville has been acutely focused on executing the agreed upon business plan of realising value and returning capital to unitholders as quickly and efficiently as possible. To that end**,** as of the release of this set of accounts, the Fund has:

- Closed on the sale of A$37.1 million worth of property from the 1-4 family portfolio thus far in 2023,
- Entered into a binding contract or accepted an offer on an additional A$18.3 million worth of property, which is likely (but not guaranteed) to close in the coming months;
- Listed an additional A$11.6 million worth of property that is currently on the market for sale, and;
- Added A$66.6 million worth of property in the listing pipeline, with these assets either currently undergoing sales preparation work or having been earmarked for an upcoming sale after receiving a notice to vacate from a tenant.

Subject to local property market conditions holding, the Fund expects that sales volume will continue to progressively increase over time (albeit non-linearly on a month-to-month basis). In other words, the Fund is expecting that it will sell more in 2H 2023 than in 1H 2023, and it also expects that the sales volume in 2024 will increase materially compared to 2023. Further detail on this sales dynamic is included in the quarterly report.

During the first half, it has been pleasing to see the continued resilience of local property market conditions. Although persistent increases in interest rates (and therefore, mortgage rates) has put substantial pressure on homebuyer affordability, the limited inventory currently on the market has kept prices stable. While this inventory shortage has caused transaction volume to fall substantially, it has kept sales prices resilient for transactions that do settle. During the half year, the Fund realised a fair value increase of A$10.1 million or 1.1% across the portfolio, with particular strength exhibited in the New York Premium segment (2.9% increase). The New Jersey Premium segment recognised a slight increase (0.4%) while the New Jersey Workforce segment recognised a minor decrease in value (1.3%). This mirrors the Fund's experience selling assets during the half year, with assets in the NY and NJ Premium segments generally having strong buyer activity, with workforce buyers generally being a bit more price sensitive, although certain workforce neighbourhoods have continued to exhibit strength.

Outside of the Brooksville joint venture, the Fund has continued the process of marketing its multifamily joint venture assets with Urban American for sale. Similar to the 1-4 family portfolio, the lending and interest rate environment has created challenges for the NYC multifamily market. However, unlike the 1-4 family market – which is somewhat backstopped by purchasers needing a place to live – the multifamily market is exhibiting more of a stalemate, with investors holding firm or waiting for a credit event to create undeniably attractive pricing.

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CHAIR'S LETTER

FOR THE HALF-YEAR ENDED 30 JUNE 2023

If and when the multifamily assets transact, the Fund intends to return the capital to investors, along with accumulated sales proceeds from the 1-4 family selling program. During the first half of the year, the Fund repurchased 30,222,523 ordinary units, for a total consideration of A$8.97 million. On 26 June the Fund also declared a 1 cent distribution to unitholders, which was paid to unitholders on the 21st of July.

Consistent with the previously released guidance, the Fund intends to keep returning capital over the coming months, with the manner (buybacks v. distributions) to be determined based on conditions at the time. The Board continues to be committed to maximising value for all URF investors, and continues to believe that realising assets and returning capital to unitholders represents the best way to do so.

I would like to take this opportunity to thank our joint venture partners at Brooksville, who have worked to ensure a seamless transition during the first half, both from an operational perspective and in terms of executing the business plan of selling assets.

I look forward to continuing to execute on our business plan during the second half of the year and providing investors with further updates in due course.

Regards,

Stuart Nisbett
Independent Chair of the Responsible Entity

US MASTERS RESIDENTIAL PROPERTY FUND
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DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2023

Principal activities and significant changes in the nature of activities

The principal activity of the Group during the course of the financial period was its continued investment in the US residential property market. The Group owns freestanding and multi-family properties in the New York metropolitan area, specifically Hudson County, New Jersey, and Brooklyn, Manhattan, New York. There are no significant changes in the nature of the Group's activities during the period.

Financial performance and position

For the period ended 30 June 2023, the Group recorded a pre-tax loss of $0.8 million, a post-tax loss of $2.2 million and total comprehensive income of $8.2 million.

Distributions paid or recommended

A distribution of $0.01 per ordinary unit totalling $7,308,479 was declared on 26 June 2023 and was paid to unitholders on 21 July 2023. 10,135,767 units were issued under the Group's Distribution Reinvestment Plan.

A distribution of $3.22 per Convertible Preference Unit totalling $5.8 million was declared in the prior year. After accounting for the Group's Dividend Reinvestment Plan, $3.4 million was paid on 24 February 2023.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group which occurred during the half-year ended 30 June 2023.

After balance date events

A distribution of $0.01 per ordinary unit totalling $7,308,479 was declared on 26 June 2023 and was paid to unitholders on 21 July 2023. 10,135,767 units were issued under the Group's Distribution Reinvestment Plan.

On 3 August 2023, it was announced that the Group's Distribution Reinvestment Plan will be suspended until further notice, effective on 18 August 2023.

As of 25 August 2023, the Group has bought back 6,214,387 ordinary units for a total consideration of $1,891,496.

On 3 July 2023, it was announced that E&P Investments Limited, the Responsible Entity of the Fund, entered into an Administrative Services Agreement (**ASA**) with K2 Asset Management Limited (**K2**) whereby K2 will provide the Responsible Entity with support and administration services. Under the ASA, K2 will also provide fund accounting services that were previously provided by Australian Fund Accounting Services Pty Limited (**AFAS**), a related party of the Responsible Entity.

The fees payable to K2 for these services will not represent any additional cost to the Fund. The Responsible Entity will forego a part of the Responsible Entity fee, being 0.05% of the Gross Asset Value (**GAV**) of the Fund, subject to a minimum of $350,000 per annum (excluding GST). This will reduce the Responsible Entity's own fee from 0.08% to 0.03% of the GAV of the Fund (excluding GST). For the fund accounting services, K2 will be paid from the Fund the same amount as has been payable to AFAS, being $120,000 (exclusive of unclaimable GST) per annum.

Other than the matters discussed above, there has not arisen in the interval between the balance date and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Responsible Entity of the Fund, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

US MASTERS RESIDENTIAL PROPERTY FUND
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DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2023

Auditor's independence declaration

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half-year ended 30 June 2023.

Signed in accordance with a resolution of the Directors:

Stuart Nisbett
Director
Dated this 30th day of August 2023

Deloitte Touche Tohmatsu
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Australia

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30 August 2023

The Board of Directors
E&P Investments Limited
as Responsible Entity for:
US Masters Residential Property Fund
Level 32, 1 O'Connell Street, Sydney, NSW 2000

Dear Board Members

Auditor's Independence Declaration to E&P Investments Limited as Responsible Entity for US Masters Residential Property Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of the Responsible Entity of US Masters Residential Property Fund.

As lead audit partner for the review of the half-year financial report of US Masters Residential Property Fund for the half-year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Haynes

David Haynes
Partner
Chartered Accountants

US MASTERS RESIDENTIAL PROPERTY FUND
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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2023

	Note	30 Jun 2023	30 Jun 2022
		$	$
Investment property rental income		21,980,989	20,769,207
Interest income		225,286	154,126
Dividends from equity investments		856,526	-
Insurance proceeds		1,251,755	-
Other income		224,612	462,606
Fair value movement of investment properties	*6*	7,321,751	26,426,240
Fair value movement of equity investments	*4*	(4,237,705)	(4,785,740)
Investment property expenses		(8,127,321)	(6,528,609)
Net foreign currency (loss)/gain		(296,846)	898,911
Listing fees		(108,679)	(69,898)
Professional fees		(250,653)	(441,620)
Marketing		(11,544)	(15,520)
IT expenses		(224,184)	(208,719)
Management fees - related party	*18*	(425,019)	(404,813)
Management fees - external	*15*	(1,343,198)	-
Promote incentive	*15*	(659,021)	-
Salaries and wages		(425,171)	(5,024,047)
Recharged expenses	*15*	(1,500,666)	-
Administrative costs		(277,945)	(139,858)
Interest expense		(10,887,098)	(10,359,243)
Investment property disposal costs		(2,167,779)	(1,560,530)
Allowance for expected credit losses		(792,755)	(120,525)
Terminated transaction costs		-	(1,451,207)
Insurance expense		(126,724)	(409,211)
Depreciation and amortisation expense		(188,263)	(183,942)
Impairment of right-of-use asset	*9*	(481,643)	-
Other expenses		(169,496)	(85,300)
(Loss)/profit before income tax		(840,791)	16,922,308
Income tax expense	*10*	(1,386,934)	(6,055,985)
(Loss)/profit for the period		(2,227,725)	10,866,323
(Loss)/profit for the period attributable to:			
Unitholders of the Fund		(2,290,728)	10,866,323
Non-controlling interests		63,003	-
		(2,227,725)	10,866,323
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operation (nil tax)		10,379,287	21,875,510
Other comprehensive income for the period, net of tax		10,379,287	21,875,510
Total comprehensive income for the period		8,151,562	32,741,833
Total comprehensive income for the period attributable to:			
Unitholders of the Fund		8,088,559	32,741,833
Non-controlling interests		63,003	-
		8,151,562	32,741,833
Earnings per unit			
Basic (loss)/earnings per ordinary unit (dollars) *		(0.00)	0.01
Diluted (loss)/earnings per ordinary unit (dollars) *		(0.00)	0.01

* Basic and diluted earnings per ordinary unit is calculated as profit for the period less distributions to convertible preference unitholders.

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with Notes to the Consolidated Financial Statements.

US MASTERS RESIDENTIAL PROPERTY FUND
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	30 Jun 2023	31 Dec 2022
		$	$
Current assets			
Cash and cash equivalents	*2*	38,122,465	43,838,347
Receivables	*3*	1,653,646	779,978
Prepayments		1,375,725	1,783,364
Other financial assets	*4*	6,278,869	10,286,578
Other assets	*5*	141,362	191,822
Net investment in sublease	*9*	958,677	906,858
Investment properties held for sale	*6*	89,506,549	30,799,941
Total current assets		138,037,293	88,586,888
Non-current assets			
Investment properties	*6*	858,020,527	918,492,472
Other assets	*5*	13,048,605	10,863,444
Right-of-use asset	*9*	-	657,017
Net investment in sublease	*9*	1,747,473	2,185,954
Property, plant and equipment	*8*	24,360	31,413
Security deposits	*7*	571,145	558,654
Total non-current assets		873,412,110	932,788,954
Total assets		1,011,449,403	1,021,375,842
Current liabilities			
Payables	*11*	11,563,661	11,653,202
Lease liabilities	*9*	1,470,799	1,378,806
Total current liabilities		13,034,460	13,032,008
Non-current liabilities			
Provisions	*12*	2,985,967	2,138,553
Deferred tax liabilities	*10*	49,537,039	47,138,986
Borrowings	*13*	494,012,543	500,778,601
Lease liabilities	*9*	1,987,209	2,676,287
Other non-current liabilities		187,574	194,939
Total non-current liabilities		548,710,332	552,927,366
Total liabilities		561,744,792	565,959,374
Net assets		449,704,611	455,416,468
Equity			
Unit capital		531,500,315	449,222,526
Convertible step-up preference units		-	184,095,549
Reserves		292,669,441	194,335,813
Accumulated losses		(376,729,821)	(374,439,093)
Equity attributable to unitholders of the Fund		447,439,935	453,214,795
Non-controlling interests		2,264,676	2,201,673
Total equity		449,704,611	455,416,468

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with Notes to the Consolidated Financial Statements.

US MASTERS RESIDENTIAL PROPERTY FUND
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2023

	Note	Unit capital $	Convertible step-up preference units $	Residual CPU face value upon conversion $	Foreign currency translation reserve $	Accumulated losses $	Attributable to unitholders $	Non-controlling interests $	Total equity $
Balance at 1 January 2022		**453,173,851**	**194,822,929**	**-**	**166,171,678**	**(369,369,815)**	**444,798,643**	**-**	**444,798,643**
Profit for the period		-	-	-	-	10,866,323	10,866,323	-	10,866,323
Other comprehensive income, net of income tax									
Foreign operation currency translation gain		-	-	-	21,875,510	-	21,875,510	-	21,875,510
Total other comprehensive income		-	-	-	21,875,510	-	21,875,510	-	21,875,510
Total comprehensive income/(loss) for the period		**-**	**-**	**-**	**21,875,510**	**10,866,323**	**32,741,833**	**-**	**32,741,833**
Transactions with owners in their capacity as owners									
Issue of ordinary units		1,507,568	-	-	-	-	1,507,568	-	1,507,568
Distributions to CPU unitholders		-	-	-	-	(6,171,192)	(6,171,192)	-	(6,171,192)
Total transactions with owners		**1,507,568**	**-**	**-**	**-**	**(6,171,192)**	**(4,663,624)**	**-**	**(4,663,624)**
Balance at 30 June 2022		**454,681,419**	**194,822,929**	**-**	**188,047,188**	**(364,674,684)**	**472,876,852**	**-**	**472,876,852**
Balance at 1 January 2023		**449,222,526**	**184,095,549**	**-**	**194,335,813**	**(374,439,093)**	**453,214,795**	**2,201,673**	**455,416,468**
Loss for the period		-	-	-	-	(2,290,728)	(2,290,728)	63,003	(2,227,725)
Other comprehensive income, net of income tax									
Foreign operation currency translation gain		-	-	-	10,379,287	-	10,379,287	-	10,379,287
Total other comprehensive income		-	-	-	10,379,287	-	10,379,287	-	10,379,287
Total comprehensive income for the period		**-**	**-**	**-**	**10,379,287**	**(2,290,728)**	**8,088,559**	**63,003**	**8,151,562**
Transactions with owners in their capacity as owners									
Issue of ordinary units	*14*	2,415,853	-	-	-	-	2,415,853	-	2,415,853
Unit buybacks	*14*	(8,970,793)	-	-	-	-	(8,970,793)	-	(8,970,793)
CPU conversion to ordinary units	*14*	96,141,208	(96,141,208)	-	-	-	-	-	-
Transfer to other reserve	*14*	-	(87,954,341)	87,954,341	-	-	-	-	-
Distributions to ordinary unitholders		(7,308,479)	-	-	-	-	(7,308,479)	-	(7,308,479)
Total transactions with owners		**82,277,789**	**(184,095,549)**	**87,954,341**	**-**	**-**	**(13,863,419)**	**-**	**(13,863,419)**
Balance at 30 June 2023		**531,500,315**	**-**	**87,954,341**	**204,715,100**	**(376,729,821)**	**447,439,935**	**2,264,676**	**449,704,611**

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with Notes to the Consolidated Financial Statements.

US MASTERS RESIDENTIAL PROPERTY FUND
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2023

	Note	30 Jun 2023 $	30 Jun 2022 $
Cash flows from operating activities			
Cash receipts from customers		21,354,733	21,190,818
Cash paid to suppliers and employees		(12,164,411)	(11,331,242)
Insurance proceeds		419,632	-
Interest received		235,339	143,806
Interest paid		(9,941,627)	(10,128,404)
Management fees paid		(1,472,872)	(338,169)
Net cash used in operating activities		(1,569,206)	(463,191)
Cash flows from investing activities			
Payments for improvements to investment properties		(2,503,892)	(3,382,932)
Proceeds from sale of investment properties		32,786,988	25,367,581
Disposal costs on sale of investment properties		(2,167,779)	(1,560,530)
Distributions received from equity investments		856,526	-
Terminated transaction costs		-	(1,451,207)
Net cash from investing activities		28,971,843	18,972,912
Cash flows from financing activities			
Ordinary Unit buybacks		(8,970,793)	-
Bank loan repayments		(18,474,896)	(2,587,761)
Refund of interest reserve and escrow accounts		2,022,813	5,968,413
Payment of interest reserve and escrow accounts		(3,920,751)	(4,038,546)
Distributions paid		(3,431,930)	(4,758,863)
Withholding tax paid		(655,946)	(130,977)
Lease payments		(657,251)	(600,874)
Cash receipts from net investment in sublease		449,402	394,924
Net cash used in financing activities		(33,639,352)	(5,753,684)
Net (decrease)/increase in cash and cash equivalents		(6,236,715)	12,756,037
Cash and cash equivalents at beginning of period		43,838,347	56,714,776
Effect of exchange rate fluctuations on cash held		520,833	3,311,961
Cash and cash equivalents at end of period	*2*	38,122,465	72,782,774

The Condensed Consolidated Statement of Cash Flows is to be read in conjunction with Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2023

1. Basis of preparation

A) Statement of compliance

The consolidated financial statements are general purpose condensed financial statements which have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**), including AASB 134: Interim Financial Reporting, and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the consolidated financial statements comply with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

This interim financial report is intended to provide users with an update on the latest annual financial statements of US Masters Residential Property Fund (**the Fund**). The half-year financial statements do not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report, together with any public announcements made during the half-year.

These half-year financial statements were approved by the Board of Directors of the Responsible Entity on 30 August 2023.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

B) Use of estimates and judgements

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies which are subject to significant accounting estimates and judgements at the reporting date and have a significant risk of causing material adjustments to the financial statements in the next annual reporting period include:

i) Fair value of investment property assets

The Fund estimates the fair value of investment properties at each reporting date primarily based on assessment of current market sale prices at or around balance date of comparable properties using available market data. The Fund engages with external licensed property valuers and agents to assist in this assessment - note 6(i).

1. Basis of preparation *(continued)*

C) Use of estimates and judgements *(continued)*

ii) Deferred tax liability recognition

The Group recognises a deferred tax liability in respect of US tax obligations which may arise in connection with the realisation and distribution to the Fund of taxable gains associated with its property assets. Depending on the structure of the realisation and other criteria and circumstances which can only be determined at a future disposal date, the rate may range from 0% to 24.95%, incorporating both corporate and branch profit taxes. The Group has adopted a policy of recording its estimate of the likely amount of tax that may be applicable based on its expected manner of disposal, as well as other conditions reasonably expected to prevail in the year of disposal.

iii) Recognition and measurement of provision for promote interest

Under the terms of the joint venture agreement, Brooksville Company LLC (**Brooksville**) is entitled to a promote on returns delivered in excess of an 8% compound annual return calculated with reference to the entry valuation. Returns in excess of the 8% hurdle rate are distributed 25% to Brooksville and 75% to the members according to their equity interest percentage.

The Group has estimated the value of the promote interest at balance date using a discounted cash flow model. In making its estimation, the Group has exercised judgement to form reasonable valuation inputs in respect of the length of the sell down period, future selling prices, disposal costs and the discount rate used. These judgements will be revisited each reporting period and revised where necessary.

Amendments to Accounting Standards and new Interpretations that are mandatory effective from the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period.

2. Cash and cash equivalents

	30 Jun 2023 $	31 Dec 2022 $
Cash at bank	37,911,682	43,729,038
Restricted cash (i)	210,783	109,309
	38,122,465	43,838,347

(i) Restricted cash relates to a deposit account into which all tenant rent is received (Rent Deposit Account). The Rent Deposit Account is beneficially owned by the Group but is controlled by Global Atlantic as part of its security over the loan facility. Amounts are swept daily from the Rent Deposit Account by the loan servicer to cover interest, replenishment of required reserves and any other amount due to Global Atlantic.

3. Receivables

	30 Jun 2023 $	31 Dec 2022 $
Receivables - rental debtors	2,195,143	1,466,072
Loss allowance for rental debtors	(1,512,638)	(910,590)
Receivables - insurance proceeds	832,123	-
Other receivables	139,018	224,496
	1,653,646	779,978

4. Other financial assets

The properties owned by the underlying investees are in the process of being sold. Settlement is expected to occur within 12 months of balance date.

	30 Jun 2023 $	31 Dec 2022 $
Current assets		
Equity investments — fair value	6,278,869	10,286,578
	6,278,869	10,286,578

Equity investments – fair value

Investee	Country of Incorporation	Principal activity	Principal place of business	30 Jun 2023 %	31 Dec 2022 %
30–58/64 34th Street Venture LLC (i)	USA	Property investment	Astoria, NY	65.0%	65.0%
515 West 168th Venture LLC (i)	USA	Property investment	Washington Heights, NY	63.7%	63.7%
523 West 135th Street Venture LLC (i)	USA	Property investment	Hamilton Heights, NY	64.7%	64.7%

(i) The Fund does not have existing rights that give it the current ability to direct the relevant activities of the Investee and therefore does not exercise control of the Investee. Similarly, the Fund does not have significant influence over the Investee. Accordingly, the investment has been designated as a financial asset at fair value through profit or loss.

4. Other financial assets (*continued*)

30–58/64 34th Street Venture LLC

During the period, the investment property owned by 30-58/64 34th Street Venture LLC was placed on the market for sale.

The property has been shown to a number of interested parties. As of balance date, contracts have been issued to two parties. The contracts are subject to completion of due diligence and remain non-binding on all parties. The fair value of the property at balance date is US$12,500,000 (A$18,757,503), which has been determined with reference to contract value, resulting in a property related fair value decrement recognised during the period of US$920,000 (A$1,380,552), of which the Group's economic share was US$598,000 (A$897,359). The Investee has borrowings totalling US$7,551,357 (A$11,331,568).

515 West 168th Venture LLC

During the period, the investment property owned by 515 West 168th Venture LLC was placed on the market for sale.

The property has been shown to a number of interested parties. Based on market feedback obtained during the selling process, the fair value of the property at balance date is US$13,000,000 (A$19,507,803), resulting in a property related fair value decrement recognised during the period of US$2,010,000 (A$3,016,206), of which the Group's economic share was US$1,280,370 (A$1,921,324). The Investee has borrowings totalling US$13,033,004 (A$19,557,329).

523 West 135th Street Venture LLC

During the period, the investment property owned by 523 West 135th Street Venture LLC was placed on the market for sale.

The property has been shown to a number of interested parties. Based on market feedback obtained during the selling process, the fair value of the property at balance date is US$4,500,000 (A$6,752,701), resulting in a property related fair value decrement recognised during the period of US$260,000 (A$390,156), of which the Group's economic share was US$168,220 (A$252,431). The Investee has borrowings totalling US$4,296,717 (A$6,447,655).

4. Other financial assets (*continued*)

Fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation techniques used. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has classified its equity investments as follows:

Class of investment	Fair value hierarchy level	Fair value ($) 30 Jun 2023	Fair value ($) 31 Dec 2022	30 Jun 2023 inputs	31 Dec 2022 inputs
Equity investments - fair value	Level 2	5,013,128	-	Contract value	- Net market income of US$14.88 - US$20.54 per square foot
Equity investments - fair value	Level 3	1,265,741	10,286,578	Market feedback	- Capitalisation rates ranging from 5% to 5.5%
		6,278,869	10,286,578		

During the period, the investment property owned by 30-58/64 34th Street Venture LLC was transferred from a level 3 to a level 2 hierarchy level based on contract value.

<u>Reconciliation of Level 3 fair value measurement of financial instruments</u>

	30 Jun 2023 $
Opening balance	10,286,578
Total gains or losses in profit or loss	(4,237,705)
Transfers out of level 3	(5,013,128)
Exchange rate differences on translation	229,996
Closing balance	1,265,741

5. Other assets

	30 Jun 2023 $	31 Dec 2022 $
Current assets		
Deferred leasing fee	-	1,391
Other assets (escrow deposits and receivables)	141,362	190,431
	141,362	191,822

	30 Jun 2023 $	31 Dec 2022 $
Non-current assets		
Facility reserve accounts (i)	13,048,605	10,863,444
	13,048,605	10,863,444

(i) The Group had the following balances held on reserve with Global Atlantic Financial Group (**GA**) as required under the terms of the facility (refer note 13(i)):

- An interest reserve totalling US$3,610,911 (A$5,418,534) at balance date.

  On each anniversary of the loan closing date (November 19, 2020), an audit of the interest reserve account will be completed by GA and if the balance of the account exceeds 3 months' worth of debt service payments, the excess will be returned to the Group.

- A property tax reserve totalling US$3,907,002 (A$5,862,848) at balance date.

  Under the terms of the facility, the Group is required to make monthly payments equivalent to 1/12th of the estimated annual property tax liability for deposit into the property tax reserve.

  At the date of review by GA, subject to the Group providing evidence satisfactory to GA that the Group is current with its quarterly property tax obligations and there being no Events of Default, the Group will be reimbursed out of the reserve account for property tax payments made.

- An insurance reserve totalling US$701,196 (A$1,052,215) at balance date.

  Under the terms of the facility, the Group is required to make monthly insurance premium reserve payments equivalent to 1/12th of the estimated annual premium into the insurance reserve account. At all times, the Group is required to maintain a minimum balance representing two months' worth of insurance premium in the insurance reserve account.

  At the date of review by GA, subject to the Group providing evidence satisfactory to GA that the Group is current with its insurance obligations, a two month minimum reserve balance requirement and there being no Events of Default, the Group will be reimbursed out of the reserve account for insurance premium payments made.

- A capital expenditure reserve totalling US$476,482 (A$715,008) at balance date.

  Each month, the Group is required to make payments into the capital expenditure reserve equivalent to 1/12th of $1,000 multiplied by the number of properties pledged as security under the Term Loan facility. Once the capital expenditure reserve reflects a balance equivalent to $1,000 per Term Loan property, monthly payments of capital expenditure reserve are not required.

  At the date of review by GA, subject to the Group providing evidence acceptable to Lender that capital work has been completed in a satisfactory manner and there being no Events of Default, the Group will be reimbursed out of the capital reserve account for repairs and maintenance work completed on the properties pledged as security under the Term Loan facility.

6. Investment properties

	30 Jun 2023 $	31 Dec 2022 $
Disclosed on the Condensed Consolidated Statement of Financial Position as:		
Current assets		
Investment properties held for sale	89,506,549	30,799,941
Non-current assets		
Investment properties	858,020,527	918,492,472
	947,527,076	949,292,413

	30 Jun 2023 (6 months)	31 Dec 2022 (12 months)
At fair value		
Balance at beginning of period	949,292,413	888,843,635
Payments for improvements to investment properties	2,341,624	8,077,312
Fair value movement of investment properties to market	10,055,942	32,243,083
Fair value movement of investment properties due to damage *	(2,734,191)	-
Disposals	(32,902,521)	(38,407,828)
Exchange rate differences on translation	21,473,809	58,536,211
Balance at end of period	947,527,076	949,292,413

* The fair value movement attributable to impairment relates to water, fire and façade damage incurred during the period.

Investment properties that are either under contract or actively being marketed for sale at balance date have been classified as “Investment properties held for sale” and are shown as a current asset on the Condensed Consolidated Statement of Financial Position. Settlement is expected to occur within 12 months of balance date.

6. Investment properties *(continued)*

i) Valuation basis

Fair value has been measured on a property by property basis, that being the Unit of Account under AASB 13 Fair Value.

In determining the fair value of the Group’s investment properties at balance date, the portfolio has been dissected into groupings by location (neighbourhood), being the principal characteristic assessed as impacting fair values. A sample of properties within each location grouping was selected for independent appraisal ensuring a representative coverage was obtained. The Group has a policy of ensuring each property is independently appraised on at least an annual basis.

A panel of the following appraisers was appointed to appraise the residential properties selected for appraisal during the period. The appraisers were selected in consideration of their certification as either licensed residential appraisers or licensed real estate agents, as well as their experience and independence to both the Group and the Brooksville and Pinnacle City Living joint venture. Residential appraisals were conducted under the Uniform Standards of Professional Appraisal Practice as required by the Appraisals Standards Board of The Appraisal Foundation in the USA.

- County Appraisals, LLC (licensed residential appraiser)
- Accurate Appraisals Associates, LLC (licensed residential appraiser)
- Platinum Coast Appraisal & Co. (licensed residential appraiser)
- Glenn A. Gabberty Appraisals, Inc. (licensed residential appraiser)
- Douglas Elliman Real Estate (licensed real estate agent)
- Patrick Southern Coldwell Banker (licensed real estate agent)
- Ari Harkov, Brown Harris Stevens (licensed real estate agent)

The appraisals of all properties have been completed using the “direct comparable sales” approach. Under this approach, the appraiser identifies at least three relevant and appropriate comparable location sales in relative close time proximity to valuation date, which sales evidence is used in conjunction with consideration of other relevant property specific or general market factors to assess the estimated market value of the subject property.

The valuation results of the appraised properties, excluding outliers are used to determine the average result for each neighbourhood. The average result for each neighbourhood is then extrapolated over the properties which were not subject to individual appraisal, thereby achieving an overall valuation outcome for each neighbourhood and accordingly the entire portfolio.

Investment properties classified as held for sale are marked to their contract or list price.

At 30 June 2023, the Group has classified its property portfolio as a Level 2 hierarchy level asset due to its fair value measurement being based on inputs (other than unadjusted quoted prices in active markets for identical assets) that are observable for the assets, either directly or indirectly, as follows:

Class of property	Fair value hierarchy level	Fair value ($) 30 Jun 2023	Fair value ($) 31 Dec 2022	Valuation technique	Inputs
Residential use investment property	Level 2	947,527,076	949,292,413	Direct comparable sales	- Selling price - Geographic location - Property age and condition - Size of Property - Number of rooms

6. Investment properties *(continued)*

The fair value of the Group's portfolio of investment properties at 30 June 2023 was determined based on market conditions existing at balance date. A sensitivity analysis has been performed on the fair value adopted at 30 June 2023 below to consider the movement in the fair value of the portfolio if the percentage fair value movements in each neighbourhood were to increase or decrease.

	Key Assumptions	
	5% decrease in % FV movement	5% increase % FV movement
Change in total value ($'000)	(47,376)	47,376

7. Security deposits

	30 Jun 2023	**31 Dec 2022**
	$	**$**
Security deposits	571,145	558,654

The Group is required to provide deposits to secure letters of credit issued in respect of the Group's lease of Harborside Financial Center and credit card facilities.

8. Property, plant and equipment

	30 Jun 2023	**31 Dec 2022**
	$	**$**
Leasehold improvements and office equipment - at cost	335,656	328,315
Accumulated amortisation and depreciation	(311,296)	(296,902)
	24,360	31,413

9. Leases

The Condensed Consolidated Statement of Financial Position shows the following amounts relating to leases:

	30 Jun 2023	31 Dec 2022
Right-of-use asset	**$**	**$**
Opening Balance	657,017	952,479
Depreciation charge	(180,616)	(351,441)
Impairment charge	(481,643)	-
Exchange rate differences on translation	5,242	55,979
Closing Balance	-	657,017

During the period, the Group ceased using the office space located at Harborside Financial Center, Jersey City, New Jersey. Accordingly, the remaining balance of the right-of-use asset was written off during the period.

The Group is party to a sublease in respect of its lease at 140 Broadway, New York, New York. The movement in the net investment in sublease receivable is shown below.

	30 Jun 2023	31 Dec 2022
Net investment in sublease	**$**	**$**
Opening balance	3,092,812	3,696,802
Interest income	95,302	228,121
Lease payments received	(544,704)	(1,059,879)
Exchange rate differences on translation	62,740	227,768
Closing Balance	2,706,150	3,092,812

Disclosed as:

	$	$
Current	958,677	906,858
Non-current	1,747,473	2,185,954
	2,706,150	3,092,812

	30 Jun 2023	31 Dec 2022
Lease liabilities	**$**	**$**
Opening Balance	4,055,093	5,022,838
Interest expense	75,097	183,363
Lease repayments	(753,175)	(1,457,729)
Exchange rate differences on translation	80,993	306,621
Closing Balance	3,458,008	4,055,093

Disclosed as:

	$	$
Current	1,470,799	1,378,806
Non-current	1,987,209	2,676,287
	3,458,008	4,055,093

9. Leases (continued)

Minimum lease payments in respect of the lease liability are as follows:

Lease liabilities - contractual undiscounted cash flows	30 Jun 2023 $	31 Dec 2022 $
Not later than one year	1,582,104	1,514,685
Later than one year and not later than five years	2,055,718	2,790,792
	3,637,822	4,305,477

10. Deferred tax liabilities

	30 Jun 2023 $	31 Dec 2022 $
Investment properties	49,537,039	47,138,986
Movements		
Balance at beginning of period	47,138,986	37,190,334
Charged to profit or loss as income tax expense	1,344,075	7,413,007
Unrealised foreign exchange loss	1,053,978	2,535,645
Balance at end of period	49,537,039	47,138,986

Income tax expense is comprised of:

	30 Jun 2023 $	31 Dec 2022 $
Deferred tax charged to profit or loss	1,344,075	7,413,007
State and withholding tax payable	42,859	604,777
Income tax expense	1,386,934	8,017,784

The Group recognises a deferred tax liability in respect of tax obligations which may arise in connection with the realisation and distribution to the Fund of taxable gains associated with its property assets. Depending on the structure of the realisation and other criteria and circumstances which can only be determined at a future disposal date, the rate may range from 0% to 24.95%, incorporating both corporate and branch profit taxes. The Group has adopted a policy of recording its estimate of the likely amount of tax that may be applicable based on its expected manner of disposal, as well as other conditions reasonably expected to prevail in the year of disposal.

The deferred tax liability has been measured at a rate of 15%. One of the variables that will impact the rate of tax that will apply is the trading volume of the Group’s units on the Australian Securities Exchange in the year of realisation and distribution of the Fund’s taxable gains. In the Directors’ view, the Group has established a sustained level of trading that exceeds the threshold to qualify for a reduced rate of tax. If the level of trading were to decline in future periods, and depending on other factors and variables that may prevail in the year of disposal, the rate of tax applicable may range from 0% to 24.95%.

11. Payables

	30 Jun 2023	31 Dec 2022
	$	$
Trade payables	597,541	579,446
Distribution payable	7,336,987	5,863,282
Other payables	3,629,133	5,210,474
	11,563,661	11,653,202

The average credit period on trade payables is 30 days. No interest is charged on trade payables from the date of invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

12. Provisions

	30 Jun 2023	31 Dec 2022
Provision for promote interest	$	$
Opening balance	2,138,553	-
Interest expense	138,599	-
Promote charge recognised during the period	659,021	2,138,553
Exchange rate differences on translation	49,794	-
Closing balance	2,985,967	2,138,553

Under the terms of the joint venture agreement, Brooksville is entitled to a promote on returns delivered in excess of an 8% compound annual return calculated with reference to the entry valuation. Returns in excess of the 8% hurdle rate are distributed 25% to Brooksville and 75% to the members according to their equity interest percentage. The promote will be settled as and when it is realised.

The Group has estimated the value of the promote interest at balance date using a discounted cash flow model. In making its estimation, the Group has exercised judgement to form reasonable valuation inputs in respect of the length of the sell down period, future selling prices, disposal costs and the discount rate used. Both the sell down period and disposal cost assumptions have been made with reference to the Group's historical experience, and the discount rate has been determined with reference to the Group's cost of capital. Based on the Group's estimation, it is not expected that the required return hurdle will be satisfied in 2023 and accordingly the provision has been classified as a non-current liability. These judgements will be revisited each reporting period and revised where necessary.

13. Borrowings

	30 Jun 2023 $	31 Dec 2022 $
Non-current liabilities		
Secured bank loans — at amortised cost	494,012,543	500,778,601
	494,012,543	500,778,601

Bank borrowings

Details of maturity dates and security for bank facilities are set out below:

Financial institution	Interest rate	Maturity date	Security	Property security value – fair value $	30 Jun 2023 Principal amount – amortised cost $	31 Dec 2022 Principal amount – amortised cost $
Global Atlantic	(i)	(i)	(i)	928,115,064	494,012,543	500,778,601
					494,012,543	500,778,601

13. Borrowings *(continued)*

(i) In November 2020, the Group refinanced its senior borrowing facilities with Wells Fargo Bank and Centennial Bank with a new Global Atlantic Financial Group (**GA**) facility dated November 19, 2020. At inception, the loan facility was US$430,653,586. At balance date, the outstanding loan facility and balance was US$331,124,400.

The GA facility was initially comprised of two components, a Term Loan component (US$360M) and a Bridge Loan component (US$70,653,586). During 2021, the Group repaid the Bridge Loan component in full.

On 30 December, 2022, upon appointment of Brooksville Company LLC as Operating Member of the Group's 1 – 4 family portfolio, the loan agreement was amended to include a principal repayment requirement equivalent to 1% of the outstanding principal balance measured on the first day of the related calendar year (Minimum Required Principal Payment, **MRPP**). The MRPP amendment takes effect on January 1, 2023, and the associated payment is due by 30 December of the related calendar year. Notwithstanding the principal payment requirement, the Group has a one time right to defer the MRPP for one year and to include the unpaid amount in respect of any given year in the subsequent year's payment. Thus, the Group has a contractual right to defer the 2023 MRPP until 30 December, 2024, and accordingly no amount has been presented as a current liability as of balance date. Any MRPP payment made is not subject to a Yield Maintenance Premium (refer below).

Term Loan component

The Term Loan component bears interest at a fixed rate of 4% per annum, and has a maturity date of May 19, 2026.

The facility is interest-only, and other than in specific circumstances (such as the sale of a property), principal repayments are not required.

Under the terms of the facility, there is a limit to the amount of Term Loan component that can be repaid early before incurring a Yield Maintenance Premium (refer paragraph below). This limit is referred to as the Free Prepayment Amount, and is US$54M during the Yield Maintenance Period of the facility. The US$54M Free Prepayment Amount is subject to a limit that can be repaid early in any one given year. This limit is referred to as the Free Prepayment Annual Amount, and is calculated as 5% of the initial balance of the Term Loan component, or US$18M per year. The annual repayment limit is cumulative, meaning that any unused repayment limit of one year is available to be carried forward to increase the Free Prepayment Annual Amount of subsequent years. For example, if in Year 1 the Group made early Term Loan component repayments equivalent to 2% of inception Term Loan component balance, then in Year 2 the Group can make early Term Loan repayments equivalent to 8% of inception Term Loan component balance before triggering a Yield Maintenance Premium.

The Yield Maintenance Premium is applicable only during the Yield Maintenance Period, which period covers the first 4.5 years of the loan facility. No Yield Maintenance Premium is payable on any early repayment following the cessation of the Yield Maintenance Period.

The Yield Maintenance Premium is calculated as the greater of (a) one percent (1%) of the amount of Term Loan component being repaid, and (b) the excess, if any, of (i) the sum of the present values of all then scheduled payments of interest and principal through maturity date over (ii) the principal amount of the Term Loan component being prepaid.

13. Borrowings *(continued)*

The loan facility is secured by the following:

- A charge over the following subsidiaries of the Fund in which collateralised property assets are held
  - Collingwood URF LLC
  - Carlton URF LLC
  - St Kilda LLC
  - Melbourne LLC
  - Geelong LLC
  - NJ Penelope LLC
  - NRL URF LLC
  - NY Oakland LLC
  - Brisbane URF LLC
  - Essendon LLC
  - Fremantle LLC

- A guarantee given by Jett URF Holdings LLC and Kenny URF Holdings LLC, as Equity Owners of the borrowing entities listed above.

- A guarantee given by US Masters Residential Fund (USA) Fund

- US$8,695,591 (A$13,048,605) placed in interest, taxes, insurance and capex reserves (refer note 5(i)).

- A Deposit Account Control Agreement in respect of the Rent Deposit Account, an account into which all tenant rent is received and which is swept daily by the loan servicer to cover interest and replenishment of required reserves (refer note 2).

The total value of the security at balance date in respect of the GA facility is $943,961,502 including property assets valued at $928,115,064.

The facility is subject to specific covenant and other reporting obligations. The facility is also subject to Event of Default clauses, breach of which at the option of the lender results in all unpaid principal and interest amounts being immediately due and payable.

A summary of drawn and available facilities at balance date is shown below:

Facility	Principal drawn $	Principal available $	Total $
Global Atlantic	496,885,354	-	496,885,354
	496,885,354	**-**	**496,885,354**

14. Capital and reserves

Issuance of ordinary units

In relation to the Convertible Step-Up Preference Unit (CPU) distribution paid on 24 February 2023, 9,291,741 units were issued under the Group's Distribution Reinvestment Plan, for an amount of $2,415,853.

On 3 January 2023, all CPUs were converted into ordinary units, with each CPU holder receiving 205 ordinary units per CPU. 1,803,775 CPUs were converted into 369,773,875 ordinary units, issued at $0.26 per unit. The difference between the face value of the CPUs and the converted value of the CPUs at the date of conversion ($87,954,341) has been recognised within equity as a separate reserve.

During the half-year ended 30 June 2023, 30,222,523 ordinary units were bought back for a total consideration of $8,970,793.

Date	Details	30 Jun 2023 No.	31 Dec 2022 No.
1 January	Balance at beginning of the year	381,559,602	395,934,429
23 February 2022	Distribution reinvestment	-	5,025,261
25 August 2022	Distribution reinvestment	-	6,621,858
3 January 2023	Conversion to ordinary units	369,773,875	
24 February 2023	Distribution reinvestment	9,291,741	-
2022	Unit buybacks	-	(26,021,946)
2023	Unit buybacks	(30,222,523)	-
	Number of ordinary units outstanding	730,402,695	381,559,602
	Effect of dilution - CPUs	-	369,773,875
	Total number of diluted units	730,402,695	751,333,477

15. Management fees, promote incentive and recharged expenses

Management fees

	30 Jun 2023 $	30 Jun 2022 $
Asset management fee	747,700	-
Property management fee	595,498	-
	1,343,198	-

Promote incentive

	30 Jun 2023 $	30 Jun 2022 $
Promote incentive (refer note 12)	659,021	-
	659,021	-

Recharged expenses

Under the terms of the respective agreements, Brooksville and Pinnacle City Living (**Pinnacle**) are entitled to recover direct expenses incurred in the management of the Group's activities. Recharged expenses primarily relate to payroll costs in respect of leasing and property management services, office administration costs, and compliance costs. During the period, the total amount recharged to the Group was $1,500,666 (30 June 2022: nil).

16. Capital commitments

The Group had no capital commitments in respect of properties that are either under construction/refurbishment or are due to commence construction/refurbishment (2022: nil).

There are no further contributions contractually required to be made by the Group to any other jointly controlled entity.

17. Contingent liabilities

The Group is joint lessee of the premises located at 140 Broadway, New York, with E&P Financial Group USA Inc. (formerly Dixon Advisory USA Inc.). The Group is jointly and severally liable for all lease charges, and thus has a contingent liability in respect of E&P Financial Group USA Inc's share of future lease charges which are summarised below:

	30 Jun 2023	31 Dec 2022
	$	$
Not later than one year	1,133,527	1,080,785
Later than one year and not later than five years	1,905,087	2,422,450
	3,038,614	3,503,235

The directors of the Responsible Entity are not aware of any other potential material liabilities or claims against the Group as at balance date.

18. Related parties

Key management personnel

Mr. Stuart Nisbett, Mr. Warwick Keneally and Mr. Peter Shear are directors of the Responsible Entity, E&P Investments Limited and are deemed to be key management personnel. The directors of the Responsible Entity did not receive compensation from the Fund during the period (30 June 2022: nil).

Related party investments in the Fund

As at 30 June 2023, E&P Private Investments Pty Limited, a wholly owned subsidiary of E&P Financial Group Limited, owned 3,650,453 (31 December 2022: 3,650,453) ordinary units in the Group.

18. Related parties *(continued)*

Payments made to the Responsible Entity and related parties

Management Fees	**2023**	**2022**
Responsible Entity fee (payable by the Fund) The Responsible Entity's duties include establishing the Group's compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Group and overall administration of the Group. For these services, the Responsible Entity is entitled to charge a fee of 0.08% (exclusive of GST) of the gross assets of the Fund. The amount owed to the Responsible Entity in respect of the responsible entity fee at 30 June 2023 is $66,741 (31 December 2022: $69,131).	$425,019	$404,813
Other services provided by the Responsible Entity and related parties of the Responsible Entity	**2023**	**2022**
Fund administration services (payable by the Fund) Australian Fund Accounting Services Pty Limited (a related party of the Responsible Entity) provides administration and accounting services to the Fund. Time spent by staff is charged to the Fund at agreed rates under a Services Agreement. Time spent by administrative staff is charged to the Fund at agreed rates under the agreement, capped at $120,000 (exclusive of unclaimable GST) per annum. This expenditure is included in Administrative costs in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.	$61,705	$61,697
Recoveries and recharges paid to (or received from) the Responsible Entity	**2023**	**2022**
Responsible Entity and E&P Financial Group USA Inc expense recharge (payable by the Fund and the US REIT)		
Previously, the Group shared resources with E&P Financial Group USA, Inc and/or the Responsible Entity as and when needed. Where this occurred, the Group recovered the costs of the resources. This arrangement ceased 1 January 2023. The total amount owed to the Group at 31 December 2022 was $54,567.	$0	($303,687)
Pursuant to the agreements, the Responsible Entity is entitled to recover direct expenses incurred in the management of the Group's activities. These costs were in relation to various regulatory and professional services provided by external vendors and are recognised in 'Administrative costs' in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.	$206,682	$67,317
During the comparative period, the Responsible Entity also recovered costs in relation to the proposed bulk sale transaction. These costs are recognised in 'Terminated transaction costs' in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.	$0	$705,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2023

19. Controlled entities

E&P Investments Limited is the Responsible Entity of both the Fund and the US REIT. Below is a list of all subsidiaries owned by the Fund.

		Ownership interest	
		30 Jun 2023	**31 Dec 2022**
Parent entity			
US Masters Residential Property Fund	Australia		
Subsidiary			
US Masters Residential Property (USA) Fund	United States	100%	100%
Melbourne, LLC	United States	99.1%	99.1%
EMU LLC	United States	100%	100%
Geelong LLC	United States	99.1%	99.1%
St Kilda LLC	United States	99.1%	99.1%
Newtown Jets LLC	United States	100%	100%
Morben Finance LLC	United States	100%	100%
Steuben Morris Lending LLC	United States	100%	100%
Morris Finance LLC	United States	100%	100%
Essendon LLC	United States	99.1%	99.1%
Carlton URF LLC	United States	99.1%	99.1%
Collingwood URF LLC	United States	99.1%	99.1%
Fremantle URF LLC	United States	99.1%	99.1%
AFL URF LLC	United States	100%	100%
NRL URF LLC	United States	99.1%	99.1%
Newcastle URF LLC	United States	100%	100%
Canterbury URF LLC	United States	100%	100%
Manly Waringah URF LLC	United States	100%	100%
Penrith URF LLC	United States	100%	100%
Brisbane URF LLC	United States	99.1%	99.1%
USM URF AT Holdings LLC	United States	100%	100%
USM Asset Trust	United States	100%	100%
TRS URF LLC	United States	100%	100%
W168 Investors LLC	United States	100%	100%
34 Astoria Investors LLC	United States	100%	100%
Essex URF LLC	United States	100%	100%
523 W. 135th Investors LLC	United States	100%	100%
NY Oakland LLC	United States	99.1%	99.1%
NJ Penelope LLC	United States	99.1%	99.1%
Jett URF Holdings LLC	United States	99.1%	99.1%
Kenny URF Holdings LLC	United States	99.1%	99.1%
History Homes LLC	United States	99.1%	99.1%
US Masters 2 LLC	United States	100.0%	100.0%
USM 3 LLC	United States	99.1%	99.1%

20. Subsequent events

A distribution of $0.01 per ordinary unit totalling $7,308,479 was declared on 26 June 2023 and was paid to unitholders on 21 July 2023. 10,135,767 units were issued under the Group's Distribution Reinvestment Plan.

On 3 August 2023, it was announced that the Group's Distribution Reinvestment Plant will be suspended until further notice, effective on 18 August 2023.

Subsequent to balance date, as of 25 August 2023, the Group has bought back 6,214,387 ordinary units for a total consideration of $1,891,496.

On 3 July 2023, it was announced that E&P Investments Limited, the Responsible Entity of the Fund, entered into an ASA with K2 whereby K2 will provide the Responsible Entity with support and administration services. Under the ASA, K2 will also provide fund accounting services that were previously provided by AFAS, a related party of the Responsible Entity.

The fees payable to K2 for these services will not represent any additional cost to the Fund. The Responsible Entity will forego a part of the Responsible Entity fee, being 0.05% of the GAV of the Fund, subject to a minimum of $350,000 per annum (excluding GST). This will reduce the Responsible Entity's own fee from 0.08% to 0.03% of the GAV of the Fund (excluding GST). For the fund accounting services, K2 will be paid from the Fund the same amount as has been payable to AFAS, being $120,000 (exclusive of unclaimable GST) per annum.

Other than the matters discussed above, there has not arisen in the interval between the balance date and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Responsible Entity of the Fund, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

21. Operating segments

The Group operates solely in the business of investing in residential real estate assets associated with the New York metropolitan area in the United States of America. Revenue, profit, net assets and other financial information reported to and monitored by the Chief Operating Decision Maker (**CODM**) for the single identified operating segment are the amounts reflected in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows.

The Responsible Entity, which is the CODM for the purposes of assessing performance and determining the allocation of resources, operates and is domiciled in Australia.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 30 JUNE 2023

The directors of the Responsible Entity for US Masters Residential Property Fund (the Group) declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of directors of the Responsible Entity made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Mr. Stuart Nisbett
Director

Dated this 30th day of August 2023

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Independent Auditor's Review Report to the Unitholders of US Masters Residential Property Fund

Conclusion

We have reviewed the half-year financial report of US Masters Residential Property Fund (the "Fund") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2023, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Fund's financial position as of 30 June 2023 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity of the Fund, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Responsible Entity of the Fund are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Haynes

David Haynes
Partner
Chartered Accountants
Sydney, 30 August 2023