QUARTERLY UPDATE

April - June 2023

30 August 2023

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 April 2023 to 30 June 2023, to accompany the release of the Fund's Half-Year Statutory Accounts for 2023.

Despite continued uncertainty within financial markets globally, the Fund has recorded a modest positive fair value movement within its portfolio (as compared to the prior comparable period), also benefitting from favourable foreign exchange movements. These two factors contributed to the Fund achieving a total comprehensive income of $8.2 million for the half year, compared to $32.7 million in the prior comparable period.

During the half-year, the Fund continued to achieve strong increases on both new leases and renewals across the whole portfolio. During the first half, the Fund realised rental growth of 7.7% on new leases across the portfolio, with New Jersey Premium lease prices up 11.7%, 14.6% on New Jersey Workforce, and New York Premium down -0.2%. Rent growth for the half-year on renewals has been strong across the board, recording 9.7% in increases on New Jersey Premium, 6.4% on New Jersey Workforce, and 7.9% on New York Premium. As conditions allow, Management intend to diligently work to maximise rental rates in an effort to offset the increased vacancy rates incurred during the sales program. On a same-home basis, last twelve-month (**LTM**) total portfolio net operating income (**NOI**) increased in Q2 2023 by US$202,000 or 1.13% when compared to the full-year 2022 results.

More broadly, the Fund's operational results were strong, with full year General & Administrative expenses (**G&A**) – excluding one-off items – coming in at $5.3m for the half-year, which is a 5% increase on HY2 2022 however a 25% improvement on HY1 2022. The Fund also recorded an unadjusted Funds From Operations (**FFO**) loss of $1.9m for the half-year, and excluding disposal and other one-off items, the FFO loss was $1.0 million. Pleasingly, the Fund's adjusted FFO result for HY1 2023 represents a 51% improvement compared to HY2 2022.

At the end of the quarter, the Fund completed its regular six-monthly valuation process, with the Fund's 1-4 Family portfolio increasing in value by 1.1% for the period to 30 June 2023. Growth in the first half of 2023 was driven by the New York Premium (+2.9%) and New Jersey Premium (+0.4%) segments of the portfolio, with the Fund's New Jersey Workforce segment experiencing a modest reduction in value for the period (-1.3%).

The 1-4 Family asset sales program continued during Q2 2023, and the Fund closed on US$18.8 million in sales across 10 transactions during the quarter, taking the total sales for the first half of 2023 to US$21.8 million across 13 transactions. As of the end of the quarter, the Fund had US$59.7 million worth of assets in the sales pipeline which were either under contract, on the market, or being prepared for sale. Additionally, the Fund has listed each of the three multifamily building joint ventures assets on the market for sale, with contracts out on one of the assets, and the remaining two assets being actively marketed for sale. The Fund's economic interest in these assets as of 30 June 2023 was approximately US$4.2 million.

The capital generated from the Fund's sales program during the quarter was used to repay US$10.7 million of the Global Atlantic Term Loan, as well as to continue to fund the Buyback Program for URF Ordinary Units (**ASX: URF**). During the quarter, the Fund executed on the purchase of 14,259,059 URF Ordinary shares for an aggregate consideration of $4.2 million.

Finally, following the outcome of the vote with respect to the appointment of an alternate Responsible Entity (**RE**), E&PIL has entered into an Administrative Services Agreement (**ASA**) with K2 Asset Management Limited (ACN 085 445 094) (**K2**) whereby K2 will provide E&PIL with support and administration services in areas including investor relations, reporting, and administration. Under the ASA, K2 will also provide fund accounting services, replacing those that were provided by Australian Fund Accounting Services Pty Limited (**AFAS**), a related party of the RE. As has been outlined, the appointment of K2 does not come at any additional cost to the Fund.

In line with E&P Financial Group's stated strategic objective to exit non-core businesses, E&PIL have announced the commencement of workstreams with regard to the potential internalisation of the RE of URF. Any proposal to internalise the RE will be made available to Unitholders in advance of a general meeting expected to be held in the first 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 the quarter, 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.

Specific appraisals were obtained on 52% of the portfolio by number, and 59% 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 results of this process for the 1-4 family portfolio are summarised below (in USD):

Portfolio Segment	Opening Book Value	Closing Book Value	Change	Movement
New York Premium	$305,686,526	$314,576,728	$8,890,202	2.9%
New Jersey Workforce	$196,503,235	$193,960,170	-$2,543,066	-1.3%
New Jersey Premium	$122,358,163	$122,895,145	$536,982	0.4%
Total	**$624,547,924**	**$631,432,043**	**$6,884,118**	**1.1%**

Although persistent increases in interest rates have put substantial pressure on homebuyer affordability, limited inventory currently on the market has kept prices relatively stable across the Fund's portfolio. The lack of inventory seems to largely be explained by the dynamics of US mortgages, which offer homebuyers fixed interest rates with a 30-year term. During the low interest environment in the aftermath of the pandemic, homebuyers and homeowners were able to obtain (via purchase or refinance) a 30-year mortgage with a fixed interest rate in the range of 2.5% to 4%. These homeowners now seem largely unwilling to entertain selling their home in order purchase a new home, where the mortgage could be at the prevailing rates of 6% to 7%.

This inventory shortage has caused transaction volume to fall substantially, but has kept sales prices resilient for transactions that do settle. To that end, both of the Fund's premium segments of the portfolio appreciated across the six-month reporting period, which is consistent with the Fund's experience through the sales program for the first half of the year:

- **New York Premium** demand remains strong amidst constrained supply. Interest rate increases appear to impact buyers in these price brackets to a lesser extent, and the market for premium properties has remained buoyant, resulting in an increase in the fair value of the Fund's New York portfolio of 2.9% for the half-year.
- **New Jersey Premium** assets remains strong, with specific demand for assets of a high renovation standard or with unique attributes. This, combined with constrained supply, has seen the Fund record an uplift in the New Jersey Premium segment of 0.4% for the half-year.
- **New Jersey Workforce** assets saw an aggregate movement of -1.3% for the half year, with interest rates impacting buyers, particularly first-home owners, far more significantly across these neighborhoods. Despite these interest rate impacts, there remains strong demand across a number of workforce neighborhoods.

Source: US REIT. Valuation figures may not sum due to rounding.

Portfolio Valuation

The Fund's large-scale multifamily apartment buildings held with Urban American were all placed on the market for sale during the period, and while one of the buildings has two contracts out for due diligence none had entered binding contract as of the end of the quarter. Similar to the 1-4 family portfolio, the lending and interest rate environment has created challenges for the NYC multifamily market, and investors appear to be holding firm or waiting for a credit event to create more attractive pricing.

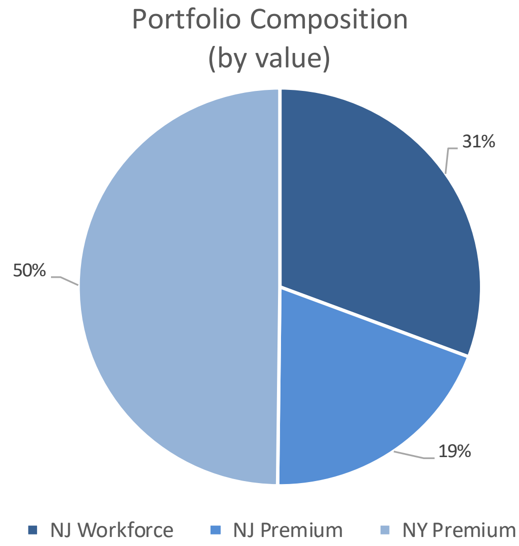
In prior periods, the value of these apartment buildings has been determined based on investor return metrics (also known as capitalisation rates). In the current period, two of the assets were valued based on active market feedback, with the third being marked to the contract price that is being negotiated with interested parties. This has resulted in a US$3.2 million (or 9.6%) decrement in the value of the underlying properties. These assets form only a small part of the Fund's investment portfolio – the Fund's economic interest in these investments is approximately US$4.2 million, compared to the US$631 million value of the 1-4 family portfolio.

Due to the effect of leverage within the Fund, this aggregate valuation change equates to a 1.1% increase to the pre-tax Net Asset Value (**NAV**).

Source: US REIT.

Portfolio Composition

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



Location	Value (USD)	Property Count	Location	Value (USD)	Property Count
NJ Workforce	**$193,960,170**	**290**	**NY Premium**	**$314,576,728**	**105**
Bayonne	$33,715,196	54	Bedford-Stuyvesant	$96,850,331	36
Bergen-Lafayette	$7,691,451	11	Boerum Hill	$10,850,000	2
Greenville	$36,986,526	65	Bushwick	$21,504,651	14
Jersey City Heights	$51,964,855	59	Clinton Hill	$12,572,052	4
Journal Square	$18,353,277	26	Cobble Hill	$7,115,763	2
North Bergen	$4,446,685	8	Crown Heights	$30,229,560	12
Secaucus	$480,000	1	Lefferts Garden	$3,700,000	1
Union City	$2,894,938	4	Fort Greene	$12,385,000	3
West Bergen	$35,645,556	59	Park Slope	$32,357,836	6
West New York	$1,781,684	3	Prospect Heights	$4,659,600	1
NJ Premium	**$122,895,145**	**64**	Williamsburg	$18,154,952	6
Downtown	$115,718,288	59	Hamilton Heights	$11,889,263	3
Weehawken	$7,176,857	5	Harlem	$52,307,719	15

Source: US REIT. Please note, the Q1 2023 "Property Count" total inadvertently excluded Harlem (15 assets), which has been rectified above.

Asset Sales

During the second quarter of 2023, the Fund closed on the sale of US$18.81 million in sales across 10 transactions, taking the half-year property sales to a total of 13 assets for a total of US$21.84 million. Further detail for the half-year to 30 June 2023 is available the below table:

Location	Sales Price ($USD Million)	Book Value ($USD Million)	Transaction Costs ($USD Million)	GA Loan Repayment ($USD Million)
Brooklyn	$11.55	$11.58	-$0.87	-$6.01
Jersey City	$7.71	$7.61	-$0.40	-$4.42
North Bergen	$0.52	$0.54	-$0.03	-$0.31
Union City	$0.81	$0.88	-$0.05	-$0.52
Weehawken	$1.25	$1.35	-$0.10	-$0.78
Total	**$21.84**	**$21.97**	**-$1.46**	**-$12.04**

As of 30 June 2023, the Fund also had US$8.54 million of properties under contract or with an accepted offer in place, and US$51.10 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	$27.09	$13.98	$1.82	**$42.88**
On the Market	$7.73	$0.00	$0.50	**$8.22**
Attorney Review or Under Contract	$3.53	$2.65	$2.37	**$8.54**
Total	**$38.34**	**$16.63**	**$4.69**	**$59.65**

While the sales program is ongoing, Brooksville remain in continued negotiations with New York and New Jersey brokerage firms regarding a structured agreement for the asset-by-asset sales program. The agreement reached is expected to assist the Fund in transacting on assets for the highest price possible in the prevailing market while simultaneously reducing sales commissions payable by the Fund.

The Fund has contracts out on one of the multifamily assets, and the other two are actively being marketed for sale. Should 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. These three large-scale apartment complexes are worth a combined US$30.0 million, with URF being a part owner of the assets, having an economic interest of approximately US$4.2 million.

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

Capital Management

The Fund's total debt reduced during the quarter, with US$10.65 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-Jun-22	US$ Balance at 30-Sep-22	US$ Balance at 31-Dec-22	US$ Balance at 31-Mar-23	US$ Balance at 30-Jun-23
Global Atlantic - Term Loan (4.00%)	348,034,311	348,034,311	343,423,092	341,775,265	331,124,400
Total	**348,034,311**	**348,034,311**	**343,423,092**	**341,775,265**	**331,124,400**
Indicative Annual Interest Cost	**13,921,372**	**13,921,372**	**13,736,924**	**13,671,011**	**13,244,976**

Source: US REIT.

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

The RE continues to believe that 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 June 2023, the remaining Buyback capacity was 165,559,372. 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 14.26 million URF Ordinary shares for an aggregate consideration of $4.2 million.

Month end	Ordinary Shares: Number	Ordinary Shares: Consideration (A$)
April	5,188,199	$1,572,908
May	5,575,882	$1,616,514
June	3,494,978	$1,032,788
Total	**14,259,059**	**$4,222,210**

In addition to the Buyback, the RE was pleased to announce a distribution of 1 cent per Ordinary unit, with payment made after quarter-end.

As of 30 June 2023, the Fund had broadly allocated its available capital as outlined in the table below, noting that the cash balance as at 30 June 2023 includes funds utilised for the aforementioned distribution:

30 June 2023	$A million
30 June Cash Balance	$37.91
Less: Global Atlantic Liquidity Covenant	-$15.01
Less: Working Capital & Buyback Funding	-$12.00
Cash for Capital Management, Capex, and/or Distribution	**$10.90**

Note: AUD/USD 0.6664

Source: US REIT.

Portfolio Occupancy

At 30 June 2023, the Fund's 1-4 family portfolio had 93% 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, 25 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 June 2023)	**Unit Count**	**%**
Leased	792	93%
For Lease or In Turnover	36	4%
Vacant pending sale	25	3%
Total	**853**	**100%**

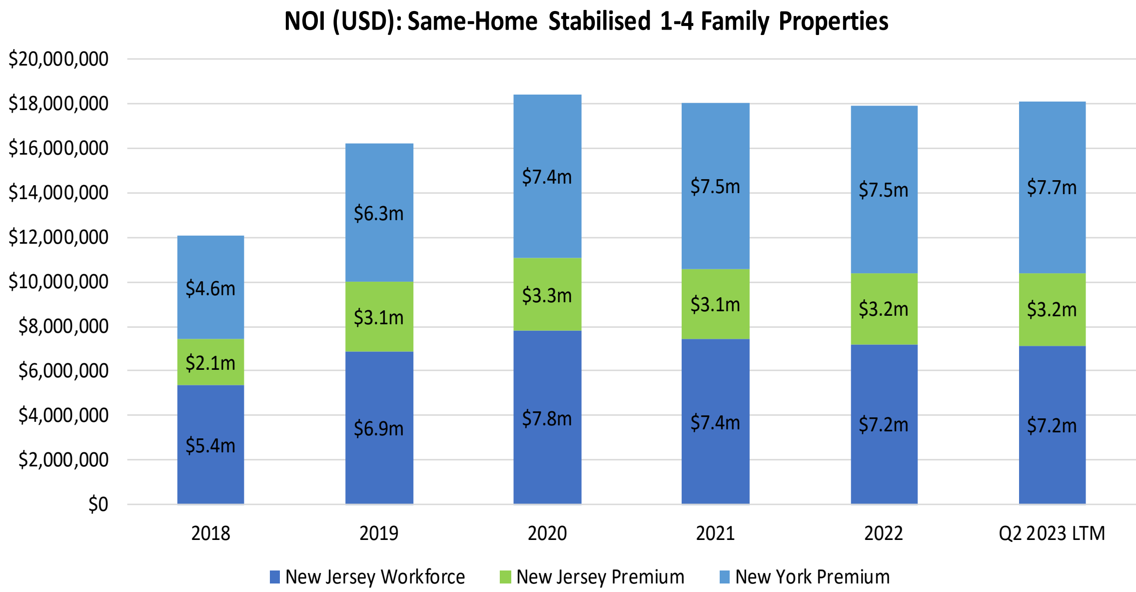
Source: US REIT.

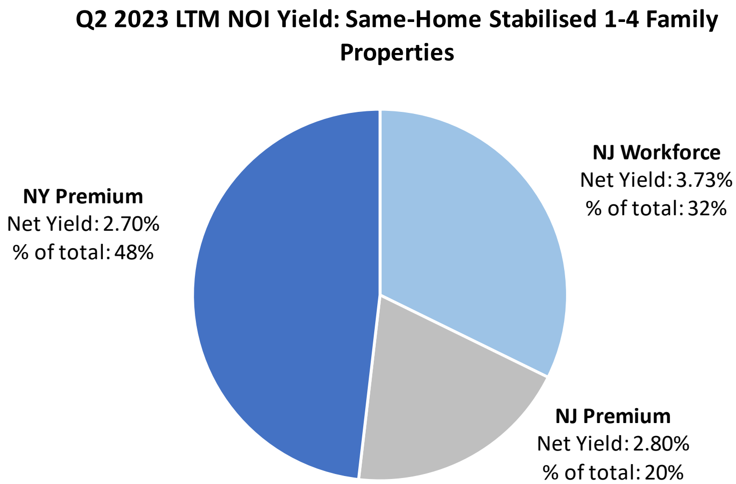
Net Operating Income (NOI)

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 June 2023, the same-home NOI was US$18.13 million. This is an increase of just over US$200,000, or 1.13%, from the full-year 2022 result and is largely driven by improved rental rates achieved during the half-year.





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.

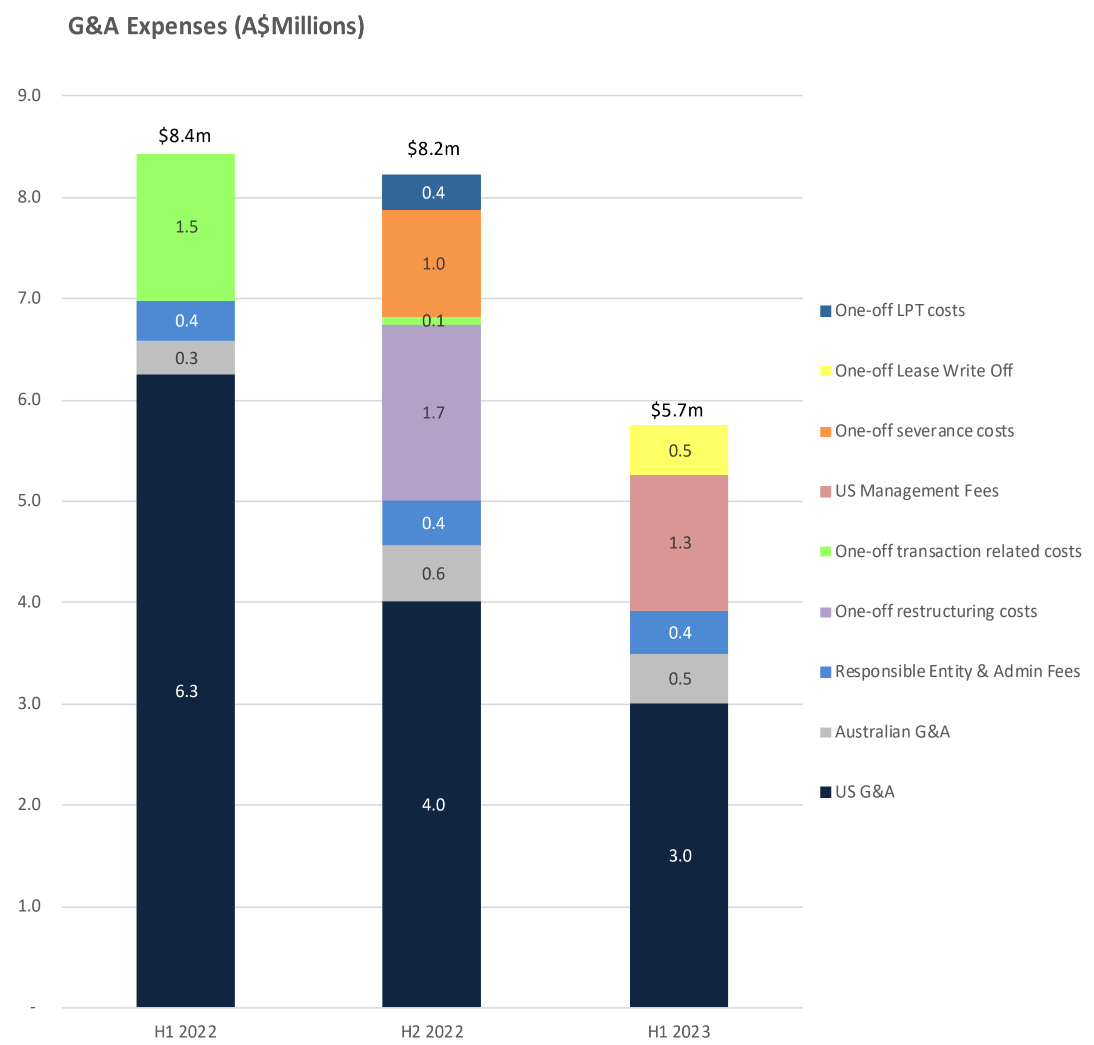
Past performance is not a reliable indicator of future performance.

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 Q2 2023, the Fund's G&A expenses were A$3.1 million, taking the HY1 G&A expense to A$5.7 million. This is a 30% reduction from the Fund's HY2 2022 G&A result, where the Fund incurred a number of one-off expenses related to the establishment of the JV.

On a normalised basis, which excludes all non-recurring expenses, the result is a 5% increase compared to the Fund's HY2 2022 result, however it is 25% lower than the Fund's adjusted HY1 2022 result.

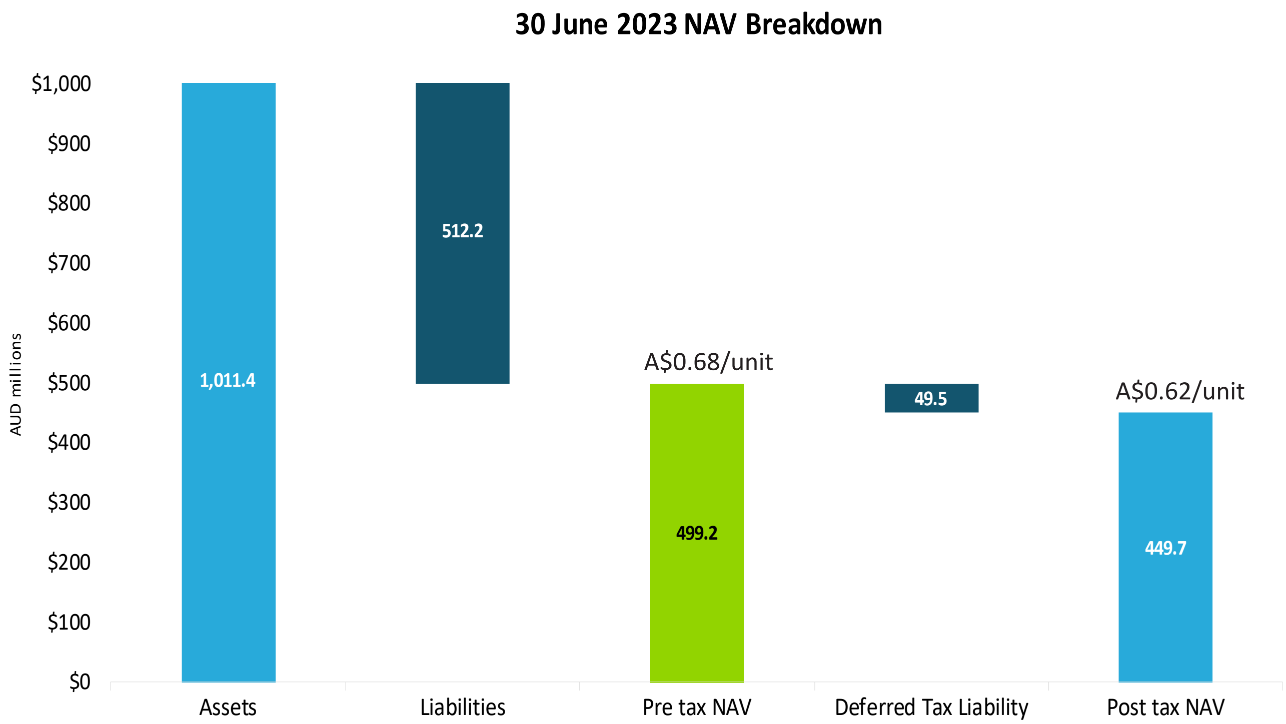


Note: AUD/USD average rate of 0.6947 and 0.6759 for 2022 and H1 2023 respectively.

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

Net Asset Value

At 30 June 2023, the pre-tax NAV was A$0.68 per unit (A$0.62 post-tax).



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 $1.9 million for HY1 2023. After excluding disposal costs and one-off insurance proceeds, the FFO loss for the half year was $1.0 million. The Fund's unadjusted FFO result for HY1 2023 represents a 63% improvement compared to HY1 2022, and after adjusting for one-off costs incurred, the result represents a 47% improvement.

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	HY1 2023
Revenue from Ordinary Operations	**38.1**	**49.7**	**45.4**	**39.7**	**44.1**	**23.1**
One-Off Income	**-**	**-**	**1.9**	**-**	**0.2**	**-**
Insurance Proceeds	**-**	**-**	**-**	**-**	**0.1**	**1.3**
Investment Property Expenses	(16.3)	(19.2)	(14.9)	(13.1)	(15.7)	(8.9)
Investment Property Disposal Costs	(3.6)	(4.3)	(5.7)	(7.3)	(2.2)	(2.2)
G&A	(25.1)	(22.2)	(16.0)	(15.1)	(12.1)	(5.1)
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**	**8.1**
EBITDA (excluding disposal costs and one-off items)	**(3.4)**	**8.3**	**14.5**	**11.5**	**16.3**	**10.3**
Net Interest Expenses (Excluding Notes Interest)	(20.5)	(21.2)	(16.6)	(21.2)	(20.1)	(10.0)
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)**	**(1.9)**
FFO (excluding disposal costs and one-off items)	**(45.5)**	**(32.8)**	**(15.1)**	**(10.0)**	**(3.9)**	**(1.0)**

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 0.6759 for 2018, 2019, 2020, 2021, 2022 and HY1 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

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Important Information

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