

A photograph of a snowy city street. In the foreground, there are snow-covered trees and a brick building with a staircase. The text "QUARTERLY UPDATE" is overlaid in white, bold, sans-serif font. Below it, the text "October – December 2018" is overlaid in a smaller, white, sans-serif font. The background shows a street with parked cars and more trees covered in snow.

QUARTERLY UPDATE

October – December 2018



US Masters
Residential
Property Fund



Executive Summary

US Masters Residential Property Fund (URF or Fund) is pleased to provide the fourth quarterly update of 2018, presenting information from the quarter ended 31 December 2018.

The Leasing Team had another strong quarter in Q4, leasing a total of 73 properties. Of these leases, 24 were signed on new construction deliveries – bringing in a total annualised rental income of US\$840,000 – and 49 were new leases on existing Fund properties, bringing in a total annualised rental income of US\$2.28 million. Renewals of existing leases were also strong during the fourth quarter of the year, as 148 leases renewed with the Fund, providing a total annualised rental income of US\$3.85 million, a 3.5% increase on previous lease prices.

Following an investment of US\$11.8 million, the Renovation and Restoration Team added 42 newly-renovated homes to the Fund's portfolio. Of these completed projects, 12 were large-scale renovations – bringing in an estimated US\$1 million annually – and 30 were small-scale renovations, bringing in an estimated US\$2.2 million annually. The Fund has continued to deliver properties from the renovation pipeline, with Q4's deliveries expected to contribute a combined total of US\$3.2 million in annualised rental income to the Fund once fully stabilised.

(CONTINUED ON PAGE 3)

Contents

2

Executive Summary

4

Operational Overview

6

Case Studies

8

Portfolio Analysis

10

Construction Pipeline

11

New Leases

13

URF Fund Statistics



Later in this quarterly, we provide an in-depth look at the progress of the renovation pipeline, marking our progress against the forecasts initiated in Q1 2018. The Fund remains ahead of schedule compared to the projected timeline outlined in the Q1 report.

We look forward to updating Unitholders on our progress in the coming months. We sincerely thank you for your continued support.



Alan Dixon

Managing Director and CEO

Quarter Highlights

- URF's high-quality property portfolio now comprises **1,699 total housing units** across 630 freestanding houses and 17 multi-family buildings.
- **The Fund completed 42 renovations** during the quarter. At the end of Q4, there were 26 properties remaining in the renovation pipeline.
- The Fund leased a stunning single-family brownstone on Greene Avenue in Clinton Hill for **US\$9,555 per month**, an increase of 8% over the previous lease price, and after just two weeks on the market.
- The Fund also leased a beautiful Bedford Stuyvesant home on Macon Street for US\$7,080/month, an increase of **8% over the previous lease price** and with just one month of vacancy between tenants.



Quarterly Operational Overview



Renovation and Restoration

Following an investment of US\$11.8 million, the Renovation and Restoration Team added 42 newly-renovated properties to the Fund's stabilised portfolio.

Amongst these was a property on Grant Avenue acquired at the Hudson County auction in November of 2017. The home was dirty, dated and in some areas, derelict, but the bones of the home were in excellent shape. The team determined that a deep clean and a cosmetic renovation would maximise the rental return for the Fund in a short timeline and on a small budget.

After removing the items left in the home, the Renovation and Restoration team determined that hardwood floors and a coat of paint would bring the living room and bedrooms back to life in both units. The team was able to salvage the existing cabinetry and tile floors in both kitchens. The cabinets were simply painted white and new hardware was added to modernise the space. The remainder of the scope focused on updating the kitchens with brand-new appliances, adding dishwashers to the space (a very desirable amenity) and installing new counters and tile backsplashes. Finally, because the bathrooms were completely dilapidated, all were fully renovated. Unit 1 leased for US\$1,595/month prior to it being placed on the market and Unit 2 leased for US\$1,595/month after just 9 days on market. With the home fully occupied, it is expected to achieve a rental yield of 5.13%.



Facade at
Grant Avenue, Jersey City



Unit 1 Kitchen at
Grant Avenue, Jersey City

GRANT AVENUE, JERSEY CITY

Home Type: Two-Family, Detached

Apt 1: 3 bed / 1 bath

Apt 2: 3 bed / 2 bath

Purchase Price: US\$340,145

+Construction Spend: US\$100,785

Total Cost: US\$465,216

Net Square Footage: 2,100 Square Feet

Note: Total cost includes purchase price and acquisition fees and costs.



Unit 2 Bathroom at
Grant Avenue, Jersey City



Tenancy

A high number of properties completed construction throughout the late fall and early winter, leading to another strong quarter to close out 2018 for the Leasing Team.

In Q4, the Leasing Team signed a total of 73 new leases, 24 of which were from new construction properties, bringing in an annualised rental income of US\$840,000. The remaining 49 leases were signed on existing properties, bringing in an annualised rental income of US\$2.28 million, an increase of 5% over the previous lease prices. The Leasing Team also renewed 148 leases bringing in a total annualised rental income of US\$3.85 million, an increase of 3.5% over the previous lease prices.

In total, Q4 brought an increase in annualised rental income to the fund of US\$1.05 million.

Notable events:

- A property on Greene Avenue, in the Clinton Hill section of Brooklyn, rented for US\$9,555/month, an 8% increase on the previous lease price, and with only 14 days vacancy
- A Bedford Stuyvesant brownstone on Macon Street rented for US\$7,080/month, an 8% increase on the previous lease price, and with only one month of vacancy
- Both units in a two-family home in Downtown Jersey City rented prior to construction completion



Recently leased
Greene Avenue, Brooklyn



Recently leased
Macon Street, Brooklyn



Recently leased
Both units, 1st Street, Jersey City

Case Studies



Renovation and Restoration

Situated on one of Harlem's most historic blocks, West 138th Street, this townhome has recently been restored to its former glory. Long known as "Strivers Row" this section of Harlem is famous for revered architecture, cohesive homes and famous residents. Today, this extremely desirable section of Harlem is still a family-friendly enclave due to its proximity to convenient transportation options, dining and shopping destinations and scenic parks.

Because of this, the Renovation and Restoration team renovated this West 138th Street home anticipating a family would someday reside there. The home offers two extremely unique features, on-site garage parking and a private alleyway alongside the home decorated by two-story archways that once led to stables for residents' horses. However, these coveted amenities reduce the footprint that would allow for a spacious backyard, requiring the team to innovate at the roof level to provide outdoor space to future occupants. The home is set in a designated historic district, requiring close communication with the Landmarks Preservation Commission (LPC) to gain approvals for all work. Fortunately, because we had already laid the groundwork for a skybox at a renovation on West 139th Street, the team was able to expedite approvals to install a second skybox at this address. This innovative rooftop solution creates a massive outdoor area for tenants without a large bulkhead that would be visible from the street.

On the interior of the home, family living was the catalyst for many design choices. The grand parlour level features a fully open floorplan between the living room, dining room and kitchen, creating the perfect place for families to gather. The kitchen was fully updated to suit the needs of a family and hidden behind custom wainscoting that matches surrounding cabinetry lies a secluded butler's kitchen with a wet-bar, dishwasher and wine storage.

Instead of breaking the garden level into several bedrooms, the team designed the space to house a massive family room with a nearby mudroom and art-deco style wet-bar. A similar approach was taken on the second floor, where the team opted to build a luxurious floor-through master suite rather than two smaller bedrooms. A custom walk-through closet leads to a full-width bath, featuring a soaking tub, massive shower and access to a private terrace. Finally, the third floor houses two bedroom suites and an art-deco style powder room to service the roof. This home rented at a price of US\$10,495, bringing in an annualised rental income of US\$125,940.



BEFORE

West 138th Street, Harlem



AFTER

West 138th Street, Harlem



AFTER

West 138th Street, Harlem

WEST 138TH STREET, MANHATTAN

Acquisition Date: 27 April 2016

Total Cost: US\$3,208,941

Purchase Price: US\$1,790,000

Actual Monthly Rent: US\$10,495

Home Type: Single-family, attached one side

4 bed / 4.5 bath

Net Square Footage: 3,636 Square Feet

Note: Total cost includes purchase price, acquisition fees and construction costs.



Tenancy

This quarter, we visit the group of tenants living together on Hancock Street who have been leasing from the Fund since 2016. The group has renewed two times, experiencing a rental increase each year, bringing their rent up from US\$6,763 in 2016 to US\$7,313 in 2018 - an increase of nearly 9%. Throughout their tenancy roommates within the group have changed, but the core group has remained the same. Providing tenant value through employing effective property management solutions, specifically designed to accommodate large, in-flux groups like this, has resulted in year-over-year retention at Hancock Street despite increases in rent.

HANCOCK STREET, BROOKLYN

Acquisition Date: 20 May 2013

Total Cost: US\$1,996,689

Purchase Price: US\$1,332,500

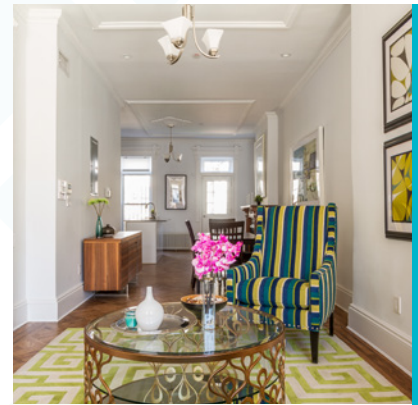
Actual Monthly Rent: US\$7,313

Home Type: Single-Family, Attached

6 bed / 6.5 bath

Net Square Footage: 2,535 Square Feet

Note: Total cost includes purchase price and acquisition fees and costs.



LIVING ROOM
Hancock Street, Brooklyn



BEDROOM
Hancock Street, Brooklyn



KITCHEN
Hancock Street, Brooklyn

Portfolio Analysis

- The Fund sold 17 properties during the quarter, with a total sales price of US\$13.7 million. The Fund strategically elected to sell these 17 properties, as they were all either located within the high-risk flood zone or were pre-renovation properties that would require a lengthy approval & construction timeline.

FREESTANDING PORTFOLIO

AREA	PROPERTIES	VALUE (US\$)
New York Premium	143	484.2 million
New Jersey Premium	110	234.1 million
New Jersey Workforce	377	192.0 million
Total	630	910.3 million

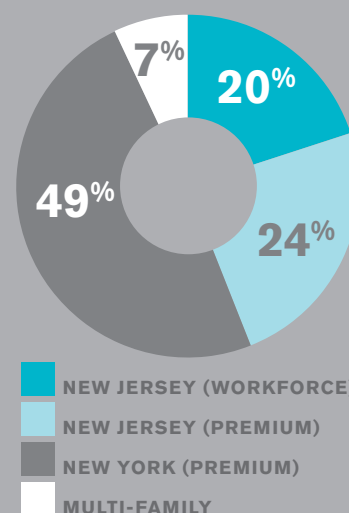
MULTI-FAMILY PORTFOLIO

AREA	UNITS	VALUE (US\$)
Hudson County	400	37.8 million
Manhattan	105	20.2 million
Queens	70	15.0 million
Total	575	73.0 million

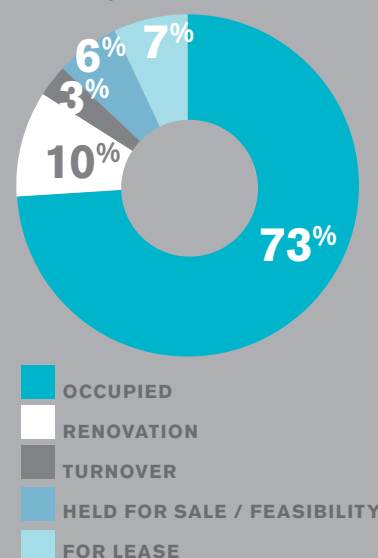
The value of the Fund's portfolio of properties is determined each six months as part of the Fund's statutory reporting obligations. The valuations are completed by a panel of independent, licensed appraisers. Every six months, approximately 50% of the portfolio is valued with the other 50% valued the following period, so that each property is appraised at least once per year. Each property is also independently appraised immediately following construction to ensure valuations are current at all times.

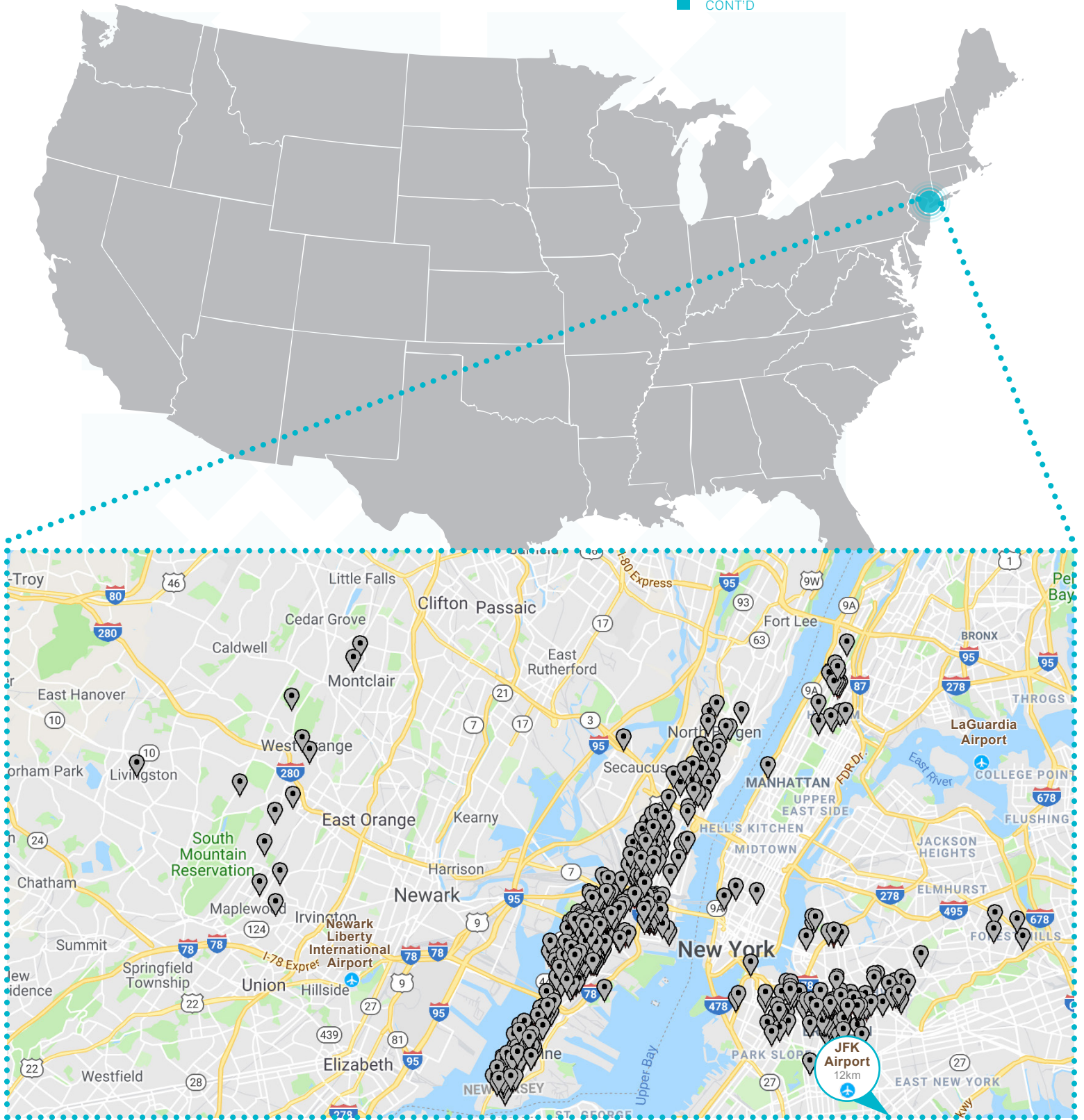
The Fund is in the process of finalising a property portfolio valuation exercise. Accordingly, the unaudited NAV as at 31 December 2018 does not take into account any resulting fair value uplift of the property portfolio. Any resulting fair value uplifts that arise from the portfolio valuation will be reflected in the Fund's full-year statutory financial statements and in subsequent monthly and quarterly updates.

PROPERTY DISTRIBUTION BY VALUE



PROPERTY STATUS BY VALUE

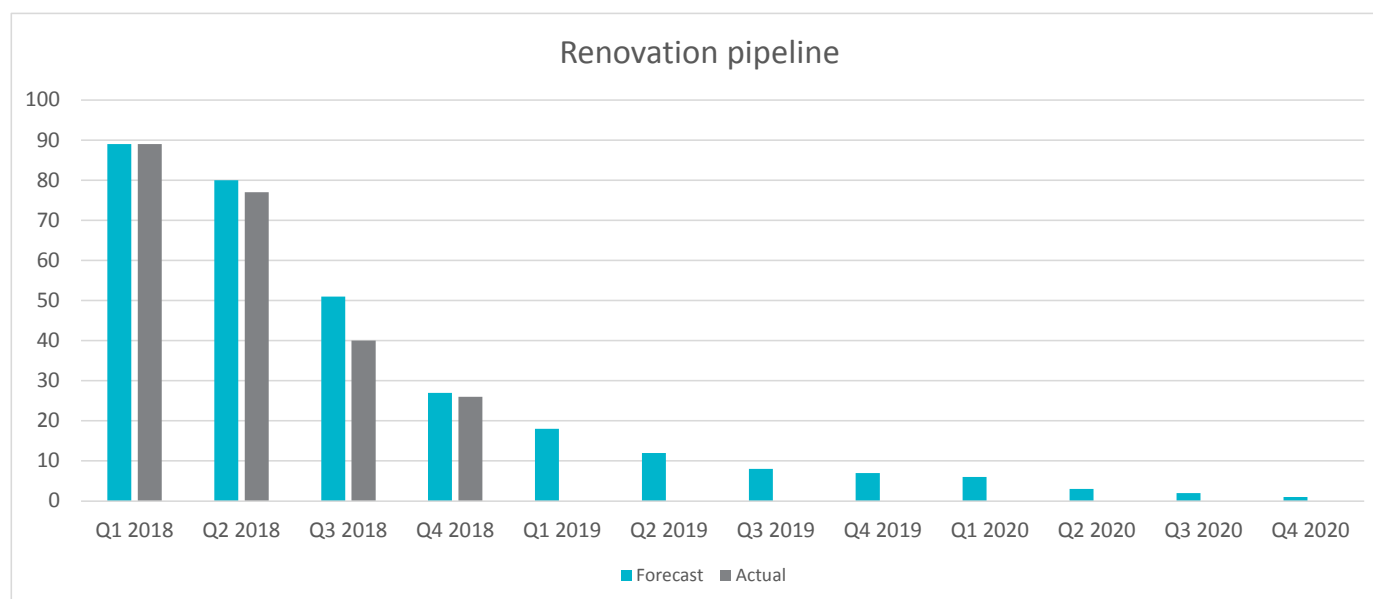




KEY: Existing Fund Portfolio

Construction Pipeline

In our 2017 half year accounts, we announced as part of our strategic review that the Fund's focus is to finalise completion of the renovation pipeline and work toward full portfolio stabilisation. In Q1 of 2018, we produced our projections for the completion of the projects that were in the renovation pipeline at that time. The exhibit below outlines these projections and now overlays actual results as a comparison.



As outlined by the chart above, in the Q1 2018 quarterly report we had projected that by the end of Q4 2018 there would be 27 properties remaining in the renovation pipeline. We are currently ahead of our projections and as at the end of Q4 there are 26 properties remaining in the renovation pipeline. The Fund continues to forecast the significant majority of projects will be completed within the next 6 months at which time we forecast that there will be less than ten projects remaining.

As the Fund completes this renovation pipeline and progresses towards full portfolio stabilisation, we continue to place a focused effort on driving cost efficiencies across the portfolio, with particular attention to financing and asset management costs. The delivery of these properties from the renovation pipeline will allow URF to continue to leverage the scale of its stabilised portfolio to drive cost efficiencies at the property level and maximise cash flow to Unitholders.



New Leases

ADDRESS	STATE	UNIT	BED/BATH	MOVE IN DATE	PREVIOUS RENT(US\$)	NEW RENT (US\$)	SQ. FT.
1st St.	NJ	2	1/1	1-Dec-18	\$2,495	\$3,030	1088
1st St.	NJ	1	2/1.5	15-Dec-18	\$-	\$4,495	1043
2nd St.	NJ	3	1/1	1-Dec-18	\$2,395	\$2,245	864
8th St.	NJ	2	4/2	1-Nov-18	\$5,610	\$5,620	1743
8th St.	NJ	2	1/1	1-Dec-18	\$2,045	\$2,245	615
9th St.	NJ	SF	4/2.5	15-Dec-18	\$-	\$6,745	2362
9th St.	NJ	SF	5/2.5	22-Dec-18	\$5,115	\$5,995	2860
34th St.	NY	4D	1/1	25-Oct-18	\$2,545	\$2,395	563
36th St.	NJ	1	1/1	15-Oct-18	\$1,300	\$1,595	657
36th St.	NJ	2	2/1	1-Dec-18	\$1,185	\$1,495	864
57th St.	NJ	3	2/1	15-Jan-19	\$1,728	\$1,727	795
Arlington Ave.	NJ	1	2/2	1-Nov-18	\$1,445	\$1,545	1147
Beacon Ave.	NJ	2	3/1	3-Nov-18	\$2,290	\$2,095	985
Bergen St.	NY	SF	5/4.5	1-Feb-19	\$9,975	\$7,770	2786
Bowers St.	NJ	2	3/1	15-Jan-19	\$-	\$2,395	1144
Brown Pl.	NJ	3	2/1	1-Dec-18	\$995	\$1,200	626
Cheever Pl.	NY	SF	3/2.5	3-Oct-18	\$6,740	\$10,400	2223
Clarke Ave.	NJ	4	1/1	28-Nov-18	\$960	\$1,195	601
Clarke Ave.	NJ	1	3/1	1-Jan-19	\$1,540	\$1,595	1002
Coles St.	NJ	SF	3/2	13-Jan-19	\$6,265	\$6,265	1428
College St.	NJ	SF	3/1.5	1-Dec-18	\$1,395	\$1,695	1784
Custer Ave.	NJ	1	2/1	5-Nov-18	\$1,295	\$1,395	673
Dean St.	NY	SF	4/3.5	1-Feb-19	\$8,657	\$7,545	2832
Decatur St.	NY	SF	6/5.5	15-Jan-19	\$9,592	\$8,895	3951
Ege Ave.	NJ	1	3/1	1-Jan-19	\$-	\$1,495	834
Ege Ave.	NJ	2	3/1	11-Jan-19	\$-	\$1,495	973
Gautier Ave.	NJ	2	2/1	26-Oct-18	\$-	\$1,595	895
Gautier Ave.	NY	1	2/1	27-Oct-18	\$-	\$1,675	811
Grant Ave.	NJ	1	4/1	25-Nov-18	\$-	\$1,695	1076
Grant Ave.	NJ	2	4/1	2-Dec-18	\$-	\$1,595	1232
Greene Ave.	NY	2	4/2.5	1-Dec-18	\$8,846	\$9,555	2576
Griffith St.	NJ	1	2/1	1-Dec-18	\$1,695	\$1,695	648
Hampton Ct.	NJ	SF	4/4	1-Dec-18	\$8,725	\$9,275	2693
Hampton Ct.	NJ	SF	5/4	1-Dec-18	\$8,095	\$8,150	2768
Hancock St.	NY	SF	5/5.5	15-Nov-18	\$9,265	\$9,560	3195
Hobart Ave.	NJ	1	3/2	15-Oct-18	\$-	\$1,995	1893
Jewett Ave.	NJ	1	1/2	15-Oct-18	\$1,255	\$1,395	586
Lefferts Pl.	NY	2	2/1.5	20-Nov-18	\$4,573	\$4,445	1258
Lexington Ave.	NJ	1	3/1	15-Dec-18	\$1,745	\$1,395	978



ADDRESS	STATE	UNIT	BED/BATH	MOVE IN DATE	PREVIOUS RENT(US\$)	NEW RENT (US\$)	SQ. FT.
Macon St.	NY	SF	4/3	1-Nov-18	\$6,540	\$7,080	2410
Mercer St.	NJ	2	1/1	27-Oct-18	\$-	\$2,470	614
Mercer St.	NJ	3	1/1	1-Nov-18	\$-	\$2,470	630
Mercer St.	NJ	2	1/1	1-Nov-18	\$-	\$2,495	614
Milton Ave.	NJ	2	2/1	5-Jan-19	\$1,445	\$1,895	730
Monroe St.	NY	3	2/1	5-Oct-18	\$2,170	\$2,565	613
Monroe St.	NY	2	1/1	1-Nov-18	\$-	\$2,355	721
Monroe St.	NY	3	1/1	15-Nov-18	\$-	\$2,355	716
Montgomery St.	NJ	SF	5/4	1-Dec-18	\$5,995	\$7,870	4164
Montgomery St.	NJ	2	4/4.5	15-Dec-18	\$9,805	\$10,120	2860
Newark Bay Ct.	NJ	3	3/1	1-Nov-18	\$1,355	\$1,395	671
Oak St.	NJ	2	3/1	17-Nov-18	\$1,595	\$1,795	1056
Ogden Ave.	NJ	1	1/1	1-Nov-18	\$-	\$2,900	908
Pavonia Ave.	NJ	1	3/2.5	1-Nov-18	\$5,245	\$5,245	1865
Pavonia Ave.	NJ	2	1/1	1-Jan-19	\$2,370	\$2,370	676
Pierce Ave.	NJ	1	5/3	1-Jan-19	\$-	\$3,325	1847
Powers St.	NY	3	2/1	1-Nov-18	\$2,600	\$2,920	855
Prospect Pl.	NY	SF	6/5	15-Oct-18	\$9,800	\$9,700	3719
Prospect Pl.	NY	2	4/4.5	1-Feb-19	\$-	\$14,735	2242
Sherman Ave.	NJ	2	1/1	29-Oct-18	\$1,495	\$1,555	682
Sherman Ave.	NJ	1	2/2	1-Jan-19	\$1,850	\$2,195	1706
Van Horne St.	NJ	2	1/1	15-Oct-18	\$-	\$1,910	809
Webster Ave.	NJ	2	2/2	1-Nov-18	\$1,699	\$2,395	1238
Weldon St.	NJ	2R	1/1	15-Dec-18	\$985	\$1,395	428
West 9th St.	NJ	2	3/2	26-Oct-18	\$-	\$2,095	2241
West 9th St.	NJ	1	2/1	1-Jan-19	\$-	\$1,695	980
West 15th St.	NJ	1	3/1	9-Dec-18	\$-	\$1,795	982
West 18th St.	NJ	1	1/1	1-Jan-19	\$1,245	\$1,245	514
West 24th St.	NJ	1	1/1.5	1-Nov-18	\$1,415	\$1,495	1209
West 168th St.	NY	3E	0/1	9-Oct-18	\$-	\$1,595	300
West 168th St.	NY	2F	0/1	19-Oct-18	\$1,645	\$1,745	326
West 168th St.	NY	1K	1/1	5-Nov-18	\$1,995	\$2,100	490
West 168th St.	NY	3L	0/1	1-Jan-19	\$1,595	\$1,745	265
Williams Ave.	NJ	2	1/1	1-Jan-19	\$1,195	\$1,195	565

This list contains only new leases signed during Q4, 2018. No lease renewal information has been included.



URF Fund Statistics

	AUD\$
Market Capitalisation	683,958,964
Net Debt	577,433,847
Enterprise Value	1,261,392,811

	PROPERTIES	UNITS
Freestanding Holdings	630	1124
Multi-Family Holdings	17	575
TOTAL UNITS:		1699

URF Unit Price Performance^{1,2} AS AT 31 DECEMBER 2018

1M	3M	6M	1YR	2YR (PA)	3YR (PA)	5YR (PA)	SI ² (PA)
-0.7%	-14.0%	-13.5%	-22.6%	-14.7%	-9.1%	-2.2%	2.6%

NTA Performance^{1,2} AS AT 31 DECEMBER 2018

1M	3M	6M	1YR	2YR (PA)	3YR (PA)	5YR (PA)	SI ² (PA)
5.1%	1.2%	5.7%	7.7%	-2.9%	-3.2%	5.6%	6.6%

URF Total Unitholder Returns¹ AS AT 30 SEPTEMBER 2018



Important Information

This Quarterly Update (Update) has been prepared by Walsh & Company Investments Limited as the Responsible Entity for the US Masters Residential Property Fund (Fund). An investment in the Fund is subject to various risks, many of which are beyond the control of the Responsible Entity.

This Update contains statements, opinions, projections, forecasts and other material (forward looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. None of the Responsible Entity, its officers, employees, agents, analysts nor any other person named in this Update makes 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.

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, and consider obtaining advice from a financial advisor. You should obtain a copy of the relevant product disclosure statement or offer document before making any decisions to purchase the product. The past performance of the Fund is not a guarantee of the future performance of the Fund.

Notes

¹ Returns are inclusive of dividends reinvested and adjusted for rights issues.

² Inception date June 2011.

Board & Management

Board of the Responsible Entity

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Warwick Keneally

Mike Adams

US Management Team

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Kevin McAvey JOINT CFO

Bryan Bullett VP, HEAD OF CAPITAL MARKETS

Priscilla Porter EXECUTIVE DIRECTOR

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