



ASX Code: URF

US Masters Residential Property Fund (Fund)

Results of Strategic Review; asset disposal program to address discount to NTA and to repay Notes II & III

The Fund announced on 10 April 2019 it was undertaking a process to consider strategic alternatives aimed at maximising value for investors and reducing the discount at which the Fund's ordinary units trade relative to net tangible assets (**NTA**) per unit.

Whilst New York property continues to be an attractive property asset class due to strong economic growth, low unemployment rates, and low interest rates, in the last 12 months there has been a clear divergence between the Fund's market price and its underlying NTA. Accordingly, Walsh & Company Investments Limited, the Responsible Entity for the Fund, has instructed the Investment Manager to initiate a program whereby the Fund will commence selling the property portfolio to pay back the URF Notes II (ASX: URFHB) and URF Notes III (ASX: URFHC), as well as actively considering appropriate capital management strategies to maximise returns for unitholders.

Implementation of the program is likely to involve a number of initiatives, including:

- Disposal of single assets;
- Disposal of sub-portfolios of assets where there are institutional purchasers; and
- Corporate transactions and other capital initiatives.

It is an appropriate time to commence this process as the key macroeconomic drivers that formed part of the initial investment thesis, being appreciating US housing values and US dollar appreciation, have come to fruition, and the construction pipeline for the renovation of Fund properties is nearing completion. Accordingly, the value-add initiatives are almost complete, and the Investment Manager has flexibility in determining how asset disposal strategies can be implemented.

Whilst the program may take time, the Fund believes this will result in a better outcome for unitholders than having the Fund trade at such a significant discount to pre and post tax NTA as reported to the ASX.

The immediate proceeds of the program will be directed towards repayment of URFHB and URFHC Notes. To this end:

- a minimum of \$33 per note will be directed to the early repayment of the URFHB Notes on the 30 September 2019 repayment date;
- to assist with the early repayment of the URFHB Notes, the distribution for the Fund's ordinary units for the period ending 30 June 2019 will be reduced to 1 cent per unit; and
- there will be no change to the 30 June 2019 Convertible Step-Up Preference Unit (ASX: URFPA) distribution.

Whilst the reduction in the distribution to ordinary unitholders is disappointing, it is a necessary step in accelerating the repayment of the Notes and the aim of the program to reduce the Fund's trading discount to NTA. The Fund will continue to keep investors updated on progress.