



US Masters
Residential
Property Fund

Investor Update

November 2019

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Strategic priority

- 1 Change in management
- 2 Optimise and transition portfolio
 - improve operations, capital structure, and register
- 3 Improve performance and reduce discount to net asset value (NAV)
- 4 Explore corporate options

Implementation

Simplify the capital structure and focus on a smaller portfolio of higher yielding assets

Targeted outcomes:

- Reduce gearing
- Return capital to investors
- Rebalance portfolio
- Improve property yields
- Increase cash flows

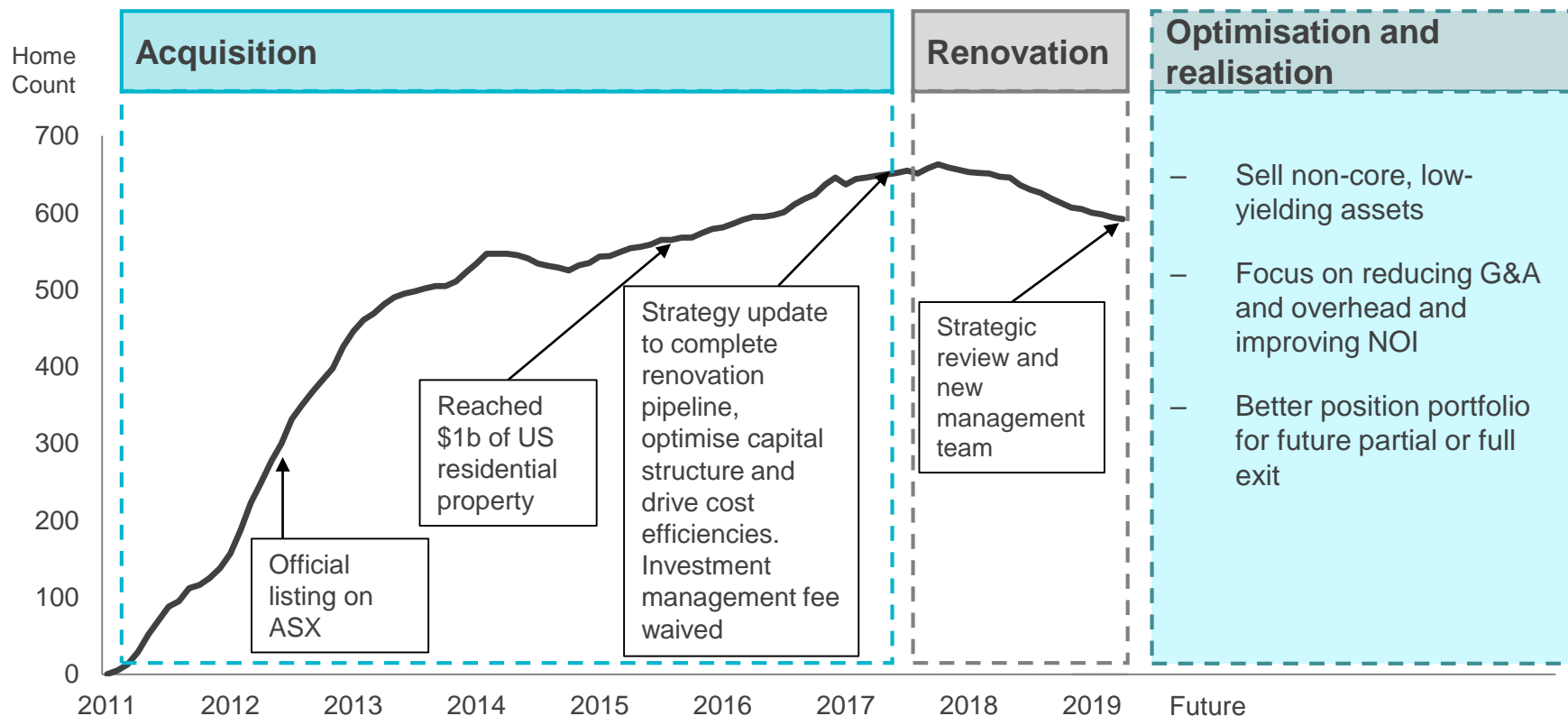
Implementation:

- Asset disposals
- Reduce general and administrative (G&A) costs
- Increase net operating income (NOI)
- Explore corporate actions, including refinancing and M&A

Will explore all options to realise value

Investment case

Established in mid-2011 to take advantage of US housing collapse and strong A\$

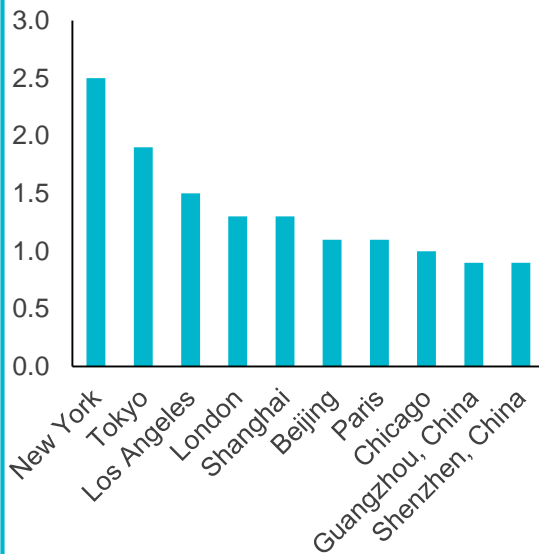


Focus on NYC

World's premier global city

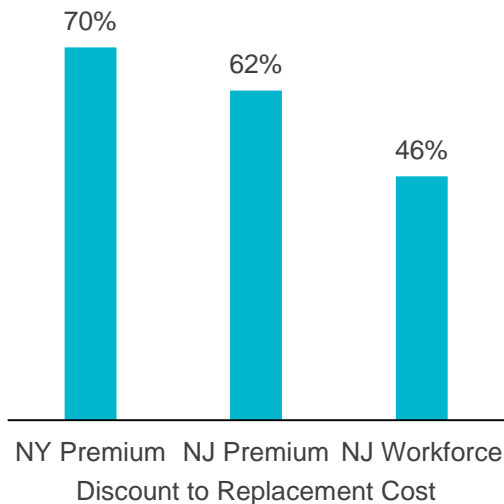
Strong economy

Estimated 2027 GDP in trillions of 2018 US dollars¹



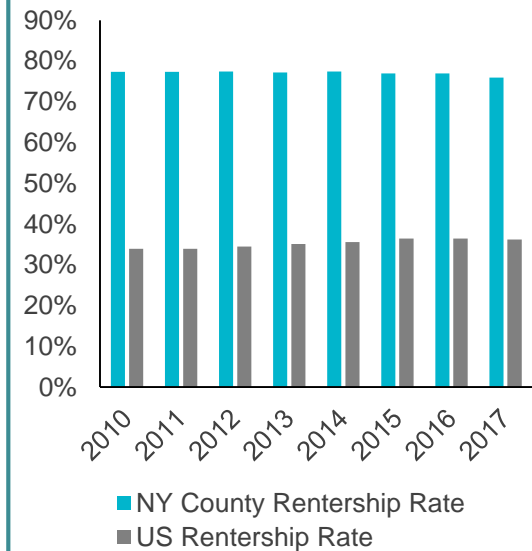
Supply

Replacement cost prohibitive to new supply²



Demand

NY more rental-focused than rest of US³



Notes: (1) Source: Oxford Economics (2) Source: US REIT, based on selected appraisals and management estimates (3) Source: United States Census Bureau

Building the portfolio

Focus on building portfolio of high-quality NYC residential housing

NJ workforce

- Initial focus market
- High yield/low capital value
- Investor/commodity product

NJ premium

- Extension of workforce strategy
- Medium yield and capital value
- Strong rental growth

NY premium

- Rapidly gentrifying; gap in renovation market
- Highly differentiated – brownstones highly sought after by owner/occupiers
- Low yield/high capital value

Focus on renovation market

Strategy driven by value opportunity in renovation market



Following GFC,
mortgage and credit
markets dysfunctional



Funding for renovation
market extremely tight



Opportunity to find
attractive properties
requiring renovation



Premium market
exhibited superior
growth



All arrangements
industry benchmarked
and independently
reviewed

Renovation phase

Renovation phase nearly complete, seven properties remain

Achievements

- Delivered 170 renovated properties to market
 - 144 large scale and 26 small scale projects
- High quality portfolio
 - set record rents in several neighborhoods
- Built reputation for quality improvements
 - strong following and tenant retention

Lower returns resulted from:

- Assets not generating income during renovations
- Scale and type of renovations and market conditions not always optimally aligned
 - lag between investing in gentrifying neighbourhoods and value uplift
- Level of operating costs, both G&A and property level
- Softening New York property market

Optimisation and realisation

Positioned to deliver returns

Smaller, more efficient vehicle

- More efficient, less-costly capital structure
- Increase yield and cashflow
- Stronger capital growth outlook

Generate more institutional interest

- Low rate environment prompting investor interest in real assets/portfolios
- NYC remains largest global metro market for commercial real estate¹

Macro support

- Interest rates forecast to continue to remain low²
- Single Family Rental (SFR) market in early stages of growth³
- Low unemployment supportive of rental income growth
- Changes to NYC rent regulations supportive of free market properties

Notes: (1) Source: RC Analytics (2) Source: Wall Street Journal (3) Source: Green Street Advisors

URF sales program

Reduce gearing and improve cashflow



Proceeds: To assist in repayment of Notes II and Notes III (URFHB and URFHC)



Timeline: 2 years (target completion mid-2021)



Why? Reduce finance costs and deleverage the portfolio



Why? Rebalance the portfolio, focusing on improving the overall yield

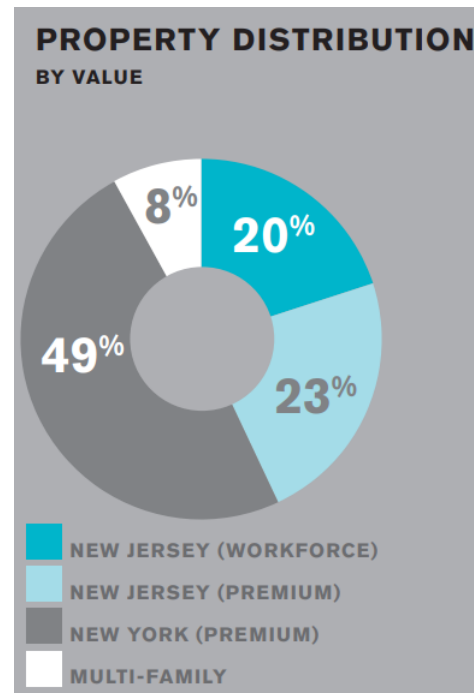
What is being sold?

Non-core assets

- Multi-family apartment buildings
- Essex County townhomes
- Renovation pipeline

Portfolio rebalance

- NY and NJ premium assets
 - lower yielding, higher value
 - high weighting in the portfolio
 - significant sales expected
- Workforce portfolio
 - highly liquid
 - higher yielding, lower value
 - limited trimming of portfolio



Current portfolio mix¹

Rebalancing the portfolio to maximise returns

Notes: (1) As at 30 September 2019

How are we selling?



Not a fire sale
of assets



Target 2 year
timeline



Patient approach
to maximise value

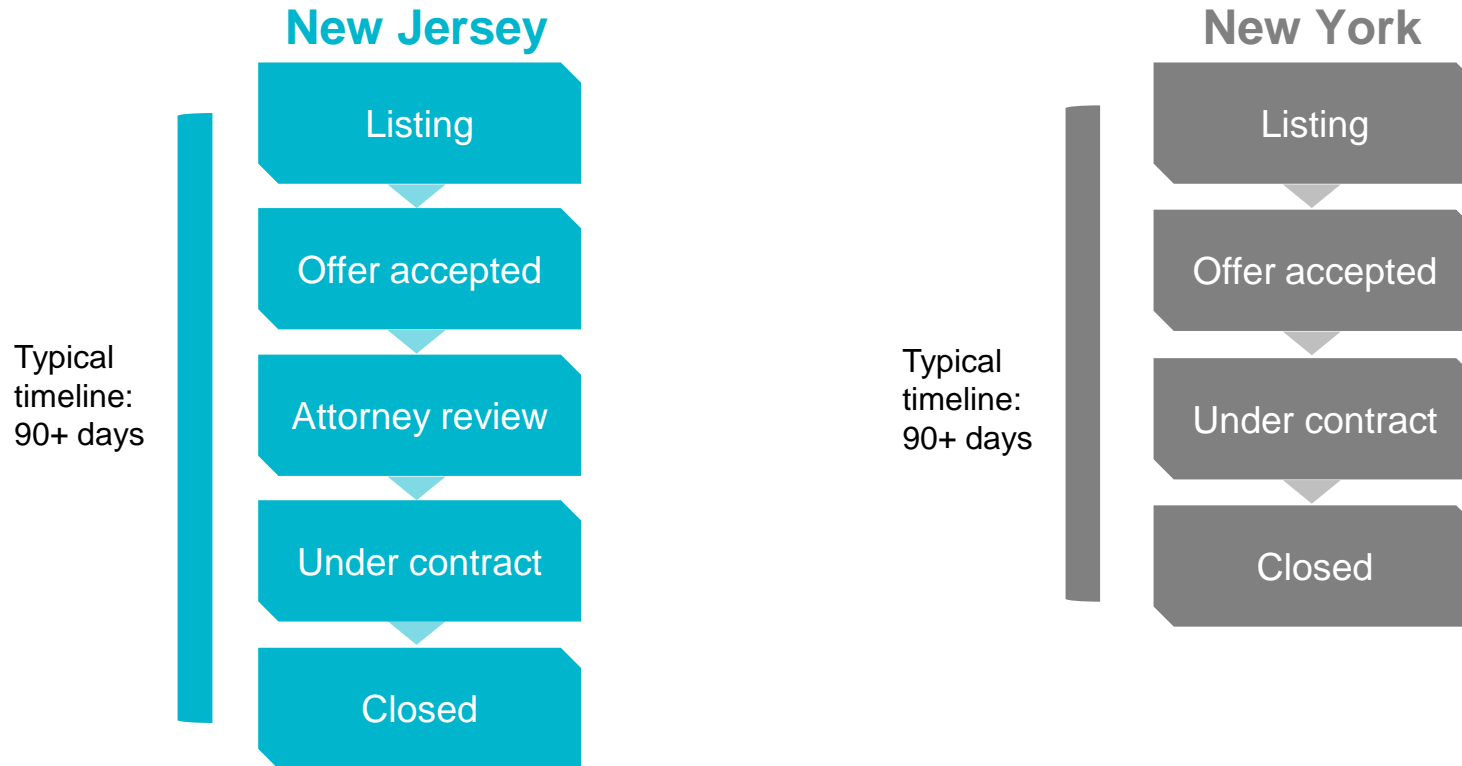


How is it being implemented?

- Tenant outreach program
- Internal database
- International brokers
- Condo option
- Investigating both on and off-market opportunities

Selling process

Reducing time period and selling costs where possible¹



Notes: (1) Selling costs in these markets are typically mid to high single digit percent of the gross sales price, with the largest component being broker fees. The sale process can be as quick as 30 days but in most cases takes at least 90 days, depending on the negotiated terms of the contract. The Fund continues to make the best effort to close in the shortest time period possible.

Early sales results

Circa US\$100m gross sales or under contract since August at 99% of NAV¹

Non core

Total US\$67.9m

- Golden Peak II sale at US\$65m². (URF holds a 67.5% share)
- Essex County sales (US\$2.9m)



NJ Premium

Total US\$15.4m

- 130 Mercer St. (US\$2.6m) record sale & no broker
- 268 Montgomery St. (US\$2.9m)



NY Premium

Total US\$9.8m

- Slow movement in Bed-Stuy
- 283 1st Street Park Slope (US\$3.275m)



Work force

Total US\$8.8m

- Limited trimming but positive results
- 45 College St. (US\$400k) no broker



Notes: (1) Across all transactions sold or under contract since August 2019, aggregate gross sales price is 99% of 30 June 2019 book values. Does not account for selling costs.
(2) URF's share of gross sales proceeds of Golden Peak II LLC is expected to be US\$43.9m.

Cost saving initiatives

Significant cost saving measures introduced since August

URFHB Partial Repayment¹
Represents A\$2.8m interest p.a.



Smaller Office Space
US\$500,000 cost saving p.a.



Credit Card Surcharge²
US\$400,000 cost saving p.a.



Reduced Headcount
US\$2.0m cost saving p.a.



Future cost saving initiatives

Maintenance and repairs³



Landscaping and snow removal⁴

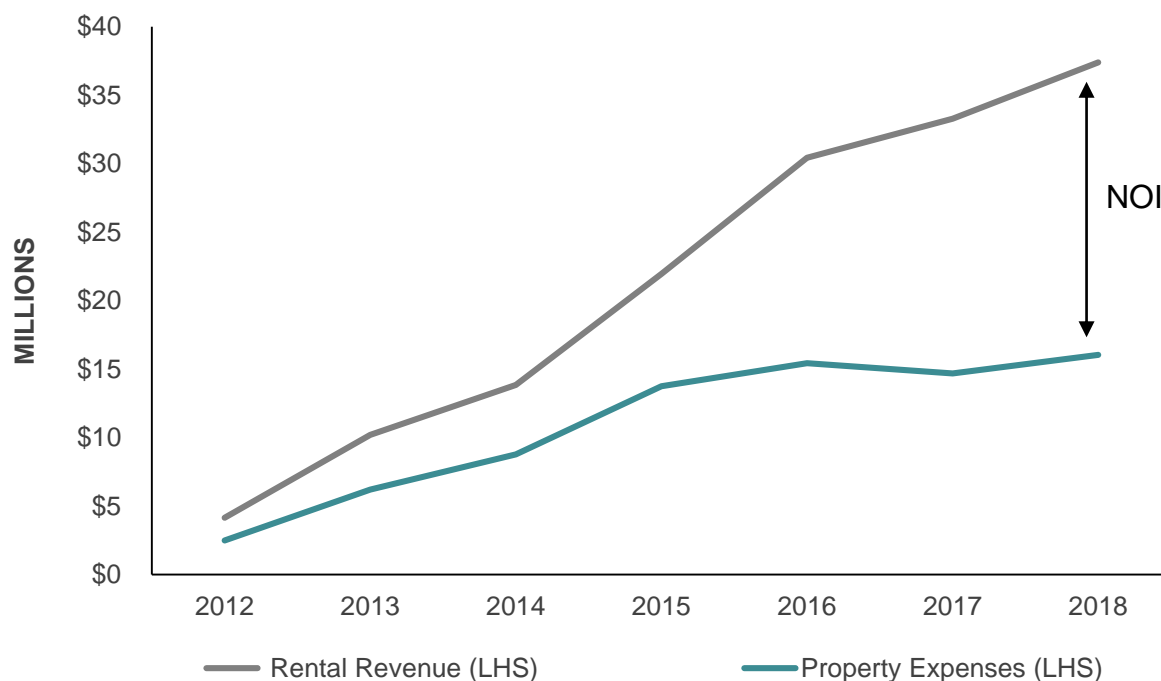


Source: US REIT

Notes: (1) Repayment of URFHB may be funded through other debt facilities. An announcement will be made by 6 December 2019 regarding further early repayments of URFHB (2) Service charge has been between 2-3% depending on the credit card (3) Maintenance and repairs arrangements are being assessed (4) The Fund is investigating whether the frequency of landscaping services can be reduced from fortnightly to monthly, or even seasonally at certain properties; All cost savings are approximate annual savings.

Operating cash flow

Focus on improving Net Operating Income (NOI), and Fund cash flow



- NOI at property level has been growing
- Financing costs still too expensive for positive cash flow at Fund level
- Reducing financing costs a priority

(1) Property level revenue and expenses are for the freestanding portfolio only and exclude finance costs. All figures are AUD.

Corporate options

M&A and refinancing opportunities to optimise returns investors

- Continue to evaluate corporate opportunities
 - no formal process but engagement with interested parties
 - implementation of current strategy expected to improve institutional interest
- Financing initiatives being explored as part of overall capital management strategy
 - take advantage of current FX rates
 - cost, flexibility, term and financier relationship key considerations
- Will keep investors updated in accordance with continuous disclosure obligations