

Appendix 4D

Interim Financial Report For the period ended 30 June 2022

Name of entity

US Masters Residential Property Fund

ARSN	Reporting period	Previous corresponding period
150 256 161	1 January 2022 to 30 June 2022	1 January 2021 to 30 June 2021

Results for announcement to the market

		30-Jun-22
Total revenue ("revenue from ordinary activities – investment property income and interest income")	Up by 10% to	\$20,923,333
Net operating profit for the period ("profit from ordinary activities after tax attributable to unitholders")	Down by 48% to	\$10,866,323
Total comprehensive income ("net income for the period attributable to unitholders")	Up by 3% to	\$32,741,833

Commentary on results

Refer to attached Interim Financial Report, including the Directors' Report to Unitholders. Additional Appendix 4D disclosure requirements can be found in the notes to the financial statements.

Distributions

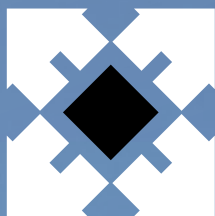
Convertible Preference Units	Amount per unit	Franked amount
Distribution (paid on 23 February 2022)	\$3.15	-
Distribution (paid on 25 August 2022)	\$3.10	-
Total distribution	\$6.25	-
There is a distribution reinvestment plan in operation in respect of this Convertible Step-up Preference units distribution.		
Distribution dates:		
Ex-Distribution date:	Wednesday, 29 June 2022	
Record date:	Thursday, 30 June 2022	
Payment date:	Thursday, 25 August 2022	

Net tangible assets per ordinary unit	30-Jun-22	30-Jun-21
Pre-tax attributable to ordinary units	\$0.64	\$0.69
Post-tax attributable to ordinary units	\$0.58	\$0.61
The net tangible assets per ordinary unit as at 30 June 2022 is calculated on a fully diluted basis. The comparative figures as at 30 June 2021 were calculated assuming the Convertible Step-up Preference units are paid out in cash.		

Earnings per unit	30-Jun-22	30-Jun-21
Basic earnings per unit	1.2 cents	3.8 cents
Diluted earnings per unit	0.6 cents	1.9 cents
Basic and diluted earnings per ordinary unit is calculated as profit for the period less distributions to convertible preference unitholders.		

Interim Financial Report

This report is based on the 30 June 2022 Interim Financial Report and has been reviewed by Deloitte Touche Tohmatsu.



US Masters Residential Property Fund

ARSN 150 256 161



Interim Financial Report

For the half-year ended
30 June 2022

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 2022

CONTENTS

Chair's Letter	2
Chief Executive Officer's Report	4
Directors' Report	6
Auditor's Independence Declaration	7
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Condensed Consolidated Statement of Financial Position	9
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	12
Directors' Declaration	29
Independent Auditor's Review Report	30

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CHAIR'S LETTER

FOR THE HALF-YEAR ENDED 30 JUNE 2022

Dear Investors,

I am pleased to present you with URF's financial results for the half year ending 30 June 2022. These are a positive set of results for the Fund, bolstered by operating results which are the strongest in the Fund's history, with a Funds From Operations loss (excluding disposal costs and one-off items) of only A\$1.9 million for the half year – a 74% improvement compared to the same period last year¹. Despite volatile financial markets, the Fund also enjoyed the positive macroeconomic tailwinds of property price appreciation and favourable foreign exchange movements. In aggregate, these factors contributed to total comprehensive income of A\$32.7 million for the half year.

In March the Fund executed a Purchase and Sale Agreement with Rockpoint Group LLC ("Rockpoint") and Brooksville Company LLC ("Brooksville") for the sale of the Fund's 1-4 Family property portfolio (the "Prior Transaction"), which was the conclusion of an extensive capital markets process run by the Fund's advisers Ackman Ziff. Unfortunately this Agreement was terminated by Rockpoint in May as financial markets experienced significant volatility, and as interest rates increased substantially. While this result was disappointing, the conclusion of the capital markets process served as a catalyst for a number of further strategic changes across the Fund, including:

- Shifting from a dual-CEO model to a single-CEO structure.
- Reducing the Fund's staffing levels across the US REIT operating platform by 37%.
- For the purposes of the regular Net Asset Value (NAV) calculations, adopting updated assumptions factoring in the likely conversion of URFPA securities at 1 January 2023.

These strategic changes continued post balance date, with the Fund;

- Commencing an on-market buyback of both URF Ordinary Units (ASX: URF) and URF Convertible Preference Units (ASX: URFPA), with over A\$5 million of units being bought back across July and August. The Fund initially expected to have surplus funds of US\$20 million to dedicate to capital management initiatives such as buybacks, however following positive early signs from the asset sales program, surplus funds are expected to increase to US\$25m - US\$30m based on the Fund's current cash levels and anticipated asset disposal timeline.
- Resuming the asset-by-asset sales program to provide additional funds for capital management opportunities, including the aforementioned buybacks.
- Evaluating the sale of the remaining large-scale apartment complex investments held with Urban American.

Additionally, the Board has been assessing the possible externalisation of the Fund's US REIT operating platform. To this end, post balance date the Fund has signed a non-binding Term Sheet with Brooksville and Pinnacle City Living (a New York City based property management firm and subsidiary of Cushman & Wakefield) ("Pinnacle"), under which Brooksville and Pinnacle will operate and manage the Fund's portfolio of 1-4 Family properties.

In addition, should the externalisation proceed, the US REIT and Brooksville will form a joint venture partnership, with Brooksville investing US\$1.5 million of their founders' capital for a minority interest in the US REIT. This investment will be made at a valuation equal to the Prior Transaction bulk sale transaction price, which is a 48% premium to the 30 June 2022 combined market capitalisation for URF and URFPA securities.

¹ For full details of the Funds From Operations (FFO) metric, refer to the Fund's Quarterly Report for Q2 2022.

**US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161**

CHAIR'S LETTER

FOR THE HALF-YEAR ENDED 30 JUNE 2022

Should the externalisation proceed, this arrangement will enable the Fund to leverage Brooksville's and Pinnacle's expertise and scale to continue driving operational efficiencies even as the Fund's portfolio reduces in size due to the ongoing sales program. In addition to Brooksville's equity investment in the US REIT, the terms of the operating and management agreement will be structured so as to align Brooksville's financial benefits to that of URF's public investors. Specifically, the fee structure will be weighted towards a performance fee (minimising base annual charges as much as possible), which is only realised on capital being returned to URF investors over and above the Prior Transaction valuation level, plus an annualised hurdle rate. Specific details of this joint venture and the associated management arrangement will be provided if and when formal agreements are signed.

While this arrangement is still subject to formal documentation and agreement before being implemented, as a party to the Prior Transaction, Brooksville already has a deep understanding of the Fund's portfolio and operations.

These strategic changes will position the Fund to build on the operational improvements that have already been made, and they are reflective of the ongoing efforts to maximise realisable value for all URF investors.

I would like to take this opportunity to thank the Fund's staff who have worked tirelessly to achieve these operational improvements in recent years, often working under challenging conditions.

I look forward to providing investors with further updates in due course.

Regards,



Stuart Nisbett
Independent Chair of the Responsible Entity

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2022

Dear Investors,

In the three years following the Fund's change in Management in August of 2019, the business has embarked on a strategic turnaround plan designed to stabilise the financial position of the Fund and restore value to unitholders. As unitholders who have followed the Fund in recent years will know, the plan was largely focused on four key principles, being:

- Executing a targeted sales program focused on selling low-yielding and non-core assets to rebalance the portfolio and improve the overall portfolio yield;
- Utilising the proceeds generated by the sales program to reduce and restructure the Fund's gearing;
- Improving property-level operations to increase the portfolio's Net Operating Income (NOI)¹; and
- Reducing General & Administrative expenses

Simply put, the goal was to reduce debt and improve operational cash flows, as – prior to the change in management – the business had been cash flow negative (FFO² loss of A\$49 million in 2018) and entirely reliant on property appreciation and favourable currency movements to generate a profit.

Over the course of the last three years, substantial progress has been made in executing this strategy. This progress includes:

- The sale of US\$201.2 million worth of assets, 84% of which came from the low-yielding New York and New Jersey Premium segments.
- Total debt reduction of A\$222.9 million, including the full repayment of URF Notes II and URF Notes III. The Fund also reduced its cost of debt from 5.79% to 4% by putting in place a long-term debt facility that offers a fixed rate until mid-2026.
- Despite the aforementioned sale of US\$201.2 million worth of assets, the Fund's NOI generated in 1H 2022 was A\$20.0 million compared to A\$17.8 million in 2019, a testament to reduced property-level expenses and driving top line rental growth, and;
- Operations were completely restructured, with G&A costs reducing from A\$25.1 million in 2018 to A\$6.7 million during 1H 2022.

The result of these changes is that the Fund has very significantly improved its Cash Flows From Operating Activities from a loss of A\$20.2 million during 1H 2019 to a A\$463,191 loss in 1H 2022 – an annualised improvement of approximately A\$40 million per annum. These operational improvements were a critical component of the Fund's 1H 2022 result, an A\$32.7m comprehensive income.

Despite this considerable turnaround in the underlying business over the past three years, we have been disappointed by the prolonged lack of improvement in the trading price of the URF and URFPA units, and we have continued to work with the Board of the Responsible Entity to evaluate additional solutions to deliver value back to unitholders.

¹ NOI is calculated as total US REIT operating revenue less total property level expenses (consisting of property taxes, property insurance, utilities expenses, repairs and maintenance expenses, and other property level expenses). Refer to the accompanying Q2 2022 URF Report for additional details on this metric.

² Funds From Operations (FFO) is calculated as revenue from ordinary operations less; investment property expenses, general & administrative expenses, and net interest expense (excluding amortised finance costs). Refer to the accompanying Q2 2022 URF Report for additional details on this metric.

**US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161**

CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2022

To that end – and as outlined by Stuart in the Chair's Letter – the Fund is in advanced discussion with Brooksville and Pinnacle City Living in relation to the outsourcing of property and asset management functions and an investment by Brooksville into US REIT. These arrangements, if implemented, would represent a continued commitment toward maximising value and returning capital for URF unitholders, as we believe Brooksville and Pinnacle's operating platform will drive returns to unitholders by accelerating the return of capital while simultaneously continuing to optimise property-level operations.

As has been detailed in prior investor communications, we have already implemented an on-market buyback program for both URF ordinary and URFPA units using cash on balance sheet and have reinstated property sales in order to fund additional buybacks. As of the release of the accounts, the Fund had approximately US\$7.6 million worth of property with an accepted offer and US\$18.9 million either currently on the market for sale or to be listed following the Labor Day holiday in the US.

While the Fund is in the process of documenting arrangements with Brooksville and Pinnacle we will continue to progress this sales pipeline. As long as the on-market discount of URF ordinary and URFPA units persists, we believe that selling properties and returning capital in the form of buybacks continues to be the most accretive option for investors.

We would like to thank investors for their consistent engagement, feedback and support as the Fund has worked through its strategic turnaround since late 2019. As the Fund enters its next phase, we believe Brooksville is the right partner to deliver and maximise value to unitholders. We would also like to thank the URF staff for their continued hard work and dedication to the business. The Fund would not have been able to transition to this next phase without the tireless effort and day-to-day execution of its staff over the course of the last three years.

Kind regards,



Kevin McAvey

**US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161**

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2022

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, and Queens, New York.

Financial performance and position

For the period ended 30 June 2022, the Group recorded a pre-tax profit of \$16.9 million, a post-tax profit of \$10.9 million and a total comprehensive income of \$32.7 million.

Distributions paid or recommended

A distribution of \$3.15 per Convertible Preference Unit totalling \$6.3 million was declared in the prior year. After accounting for the Group's Dividend Reinvestment Plan, \$4.8 million was paid on 23 February 2022.

In addition, a distribution of \$3.10 per Convertible Preference Unit totalling \$6.2 million was declared on 22 June 2022. After accounting for the Group's Dividend Reinvestment Plan, \$4.4 million was paid on 25 August 2022.

After balance date events

A distribution of \$3.10 per Convertible Preference Unit totalling \$6,171,192 was declared on 22 June 2022 and paid to unitholders on 25 August 2022. 6,621,858 units were issued under the Group's Distribution Reinvestment Plan.

As of 25 August 2022, the Group has bought back 6,676,119 ordinary units for a total consideration of \$1,864,030 and 66,851 Convertible Preference Units for a total consideration of \$3,723,894.

While the Fund's results have to date proven to be resilient against the disruption and economic impacts caused by COVID-19, the impact on the Group's performance of future developments regarding the virus cannot be known as of reporting date.

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.

Auditor's independence declaration

The auditor's independence declaration is set out on page 7 and forms part of the directors' report for the half-year ended 30 June 2022.

Signed in accordance with a resolution of the Directors:



Stuart Nisbett
Director

Dated this 30th day of August 2022

30 August 2022

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.

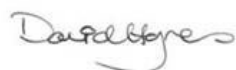
As lead audit partner for the review of the half-year financial report of US Masters Residential Property Fund for the half-year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



David Haynes
Partner
Chartered Accountants

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE HALF-YEAR ENDED 30 JUNE 2022

	<i>Note</i>	30 Jun 2022	30 Jun 2021
		\$	\$
Investment property rental income		20,769,207	18,825,122
Interest income		154,126	187,719
Other income		462,606	121,457
Fair value movement of investment properties	6	26,426,240	22,928,614
Fair value movement of equity investments	3	(4,785,740)	(1,146,754)
Share of losses of jointly controlled entities	5	-	(52,070)
Investment property expenses		(6,528,609)	(6,251,619)
Net foreign currency gain/(loss)		898,911	(929,566)
Listing fees		(69,898)	(92,555)
Professional fees		(441,620)	(506,785)
Marketing		(15,520)	(15,884)
IT expenses		(208,719)	(204,057)
Management fees	16	(404,813)	(1,708,797)
Salaries and wages		(5,024,047)	(4,543,331)
Administrative costs		(139,858)	(196,131)
Interest expense		(10,359,243)	(13,129,860)
Investment property disposal costs		(1,560,530)	(5,623,548)
Allowance for expected credit losses		(120,525)	(435,802)
Terminated transaction costs		(1,451,207)	-
Insurance expense		(409,211)	(406,800)
Depreciation and amortisation expense		(183,942)	(64,048)
Other expenses		(85,300)	(191,216)
Profit before income tax		16,922,308	6,564,089
Income tax (expense)/benefit	10	(6,055,985)	14,425,211
Profit for the period attributable to Unitholders		10,866,323	20,989,300
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of foreign operation (nil tax)		21,875,510	10,734,233
Other comprehensive income for the period, net of tax		21,875,510	10,734,233
Total comprehensive income for the period attributable to Unitholders		32,741,833	31,723,533
Earnings per unit			
Basic earnings per ordinary unit (dollars) *		0.01	0.04
Diluted earnings per ordinary unit (dollars) *		0.01	0.02

* 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
ARSN 150 256 161

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	<i>Note</i>	30 Jun 2022 \$	31 Dec 2021 \$
Current assets			
Cash and cash equivalents	2	72,782,774	56,714,776
Receivables		775,748	950,634
Prepayments		493,593	626,697
Other assets	4	292,692	346,703
Net investment in sublease	9	865,586	795,614
Investment properties held for sale	6	6,387,078	31,583,368
Total current assets		<u>81,597,471</u>	<u>91,017,792</u>
Non-current assets			
Investment properties	6	932,091,347	857,260,267
Other financial assets	3	10,152,463	14,197,771
Other assets	4	6,798,596	8,373,057
Right-of-use asset	9	825,302	952,479
Net investment in sublease	9	2,612,456	2,901,188
Property, plant and equipment	8	44,111	56,028
Security deposits	7	631,046	599,768
Total non-current assets		<u>953,155,321</u>	<u>884,340,558</u>
Total assets		<u>1,034,752,792</u>	<u>975,358,350</u>
Current liabilities			
Payables	11	11,451,568	10,404,960
Lease liabilities	9	1,312,153	1,218,989
Total current liabilities		<u>12,763,721</u>	<u>11,623,949</u>
Non-current liabilities			
Deferred tax liabilities	10	45,126,479	37,190,334
Borrowings	12	500,466,377	477,758,714
Lease liabilities	9	3,338,283	3,803,849
Other non-current liabilities		181,080	182,861
Total non-current liabilities		<u>549,112,219</u>	<u>518,935,758</u>
Total liabilities		<u>561,875,940</u>	<u>530,559,707</u>
Net assets		<u>472,876,852</u>	<u>444,798,643</u>
Equity			
Unit capital		454,681,419	453,173,851
Convertible step-up preference units		194,822,929	194,822,929
Reserves		188,047,188	166,171,678
Accumulated losses		(364,674,684)	(369,369,815)
Total equity		<u>472,876,852</u>	<u>444,798,643</u>

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
ARSN 150 256 161

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2022

	Unit capital \$	Convertible step-up preference units \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2021	450,704,528	194,822,929	142,216,620	(378,067,917)	409,676,160
Profit for the period	-	-	-	20,989,300	20,989,300
<i>Other comprehensive income, net of income tax</i>					
Foreign operation currency translation gain	-	-	10,734,233	-	10,734,233
Total other comprehensive income	-	-	10,734,233	-	10,734,233
Total comprehensive income/(loss) for the period	-	-	10,734,233	20,989,300	31,723,533
<i>Transactions with owners in their capacity as owners</i>					
Issue of ordinary units	1,146,584	-	-	-	1,146,584
Distributions to CPU unitholders	-	-	-	(6,171,192)	(6,171,192)
Total transactions with owners	1,146,584	-	-	(6,171,192)	(5,024,608)
Balance at 30 June 2021	451,851,112	194,822,929	152,950,853	(363,249,809)	436,375,085
Balance at 1 January 2022	453,173,851	194,822,929	166,171,678	(369,369,815)	444,798,643
Profit for the period	-	-	-	10,866,323	10,866,323
<i>Other comprehensive income, net of income tax</i>					
Foreign operation currency translation gain	-	-	21,875,510	-	21,875,510
Total other comprehensive income	-	-	21,875,510	-	21,875,510
Total comprehensive income for the period	-	-	21,875,510	10,866,323	32,741,833
<i>Transactions with owners in their capacity as owners</i>					
Issue of ordinary units	1,507,568	-	-	-	1,507,568
Distributions to CPU unitholders	-	-	-	(6,171,192)	(6,171,192)
Total transactions with owners	1,507,568	-	-	(6,171,192)	(4,663,624)
Balance at 30 June 2022	454,681,419	194,822,929	188,047,188	(364,674,684)	472,876,852

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
ARSN 150 256 161

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2022

	<i>Note</i>	30 Jun 2022	30 Jun 2021
		\$	\$
Cash flows from operating activities			
Cash receipts from customers		21,190,818	18,776,921
Cash paid to suppliers and employees		(11,669,411)	(14,177,375)
Interest received		143,806	150,718
Interest paid		(10,128,404)	(11,168,531)
Net cash used in operating activities		<u>(463,191)</u>	<u>(6,418,267)</u>
Cash flows from investing activities			
Payments of investment property improvements		(3,382,932)	(2,912,087)
Proceeds from sale of investment properties		25,367,581	97,467,716
Disposal costs on sale of investment properties		(1,560,530)	(5,623,548)
Terminated transaction costs		(1,451,207)	-
Loan repayments received from third parties		-	6,786,432
Net cash from investing activities		<u>18,972,912</u>	<u>95,718,513</u>
Cash flows from financing activities			
Bank loan repayments		(2,587,761)	(64,918,002)
Unsecured note repayments		-	(17,500,000)
Refund of interest reserve and escrow accounts		5,968,413	4,143,761
Payment of interest reserve and escrow accounts		(4,038,546)	(4,118,952)
Payment of transaction costs related to loans and borrowings		-	(5,901)
Distributions paid		(4,758,863)	(5,119,965)
Withholding tax paid		(130,977)	(32,233)
Lease payments		(600,874)	(379,236)
Cash receipts from net investment in sublease		394,924	116,115
Net cash used in financing activities		<u>(5,753,684)</u>	<u>(87,814,413)</u>
Net increase in cash and cash equivalents		12,756,037	1,485,833
Cash and cash equivalents at beginning of period		56,714,776	74,720,179
Effect of exchange rate fluctuations on cash held		3,311,961	1,204,853
Cash and cash equivalents at end of period	2	<u>72,782,774</u>	<u>77,410,865</u>

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

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

1. Basis of preparation

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 2022.

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.

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 Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2022

2. Cash and cash equivalents

	30 Jun 2022	31 Dec 2021
	\$	\$
Cash at bank	72,658,754	56,635,554
Restricted cash (i)	124,020	79,222
	<u>72,782,774</u>	<u>56,714,776</u>

- (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. Other financial assets

	30 Jun 2022	31 Dec 2021
	\$	\$
Non-current assets		
Equity investments — fair value	10,152,463	14,197,771
	<u>10,152,463</u>	<u>14,197,771</u>

Equity investments – fair value

Investee	Country of Incorporation	Principal activity	Principal place of business	30 Jun 2022 %	31 Dec 2021 %
515 West 168th Venture LLC (i)	USA	Property investment	Washington Heights, NY	63.7%	63.7%
30–58/64 34th Street Venture LLC (i)	USA	Property investment	Astoria, NY	65.0%	65.0%
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.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

3. Other financial assets (continued)

515 West 168th Venture LLC

During the period, Walker & Dunlop, Inc was appointed to value the investment property owned by 515 West 168th Venture LLC. In determining the fair value of the property at 30 June 2022, the appraiser adopted a capitalisation of income approach.

The fair value of the property as at 30 June 2022 was US\$15,010,000 (A\$21,744,169), resulting in a total fair value decrement recognised during the period of US\$2,420,000 (A\$3,505,722), of which the Group's economic share was US\$1,541,540 (A\$2,233,145). The Investee had borrowings totaling US\$13,293,940 (A\$19,258,207).

30-58/64 34th Street Venture LLC

During the period, Walker & Dunlop, Inc was appointed to value the investment property owned by 30-58/64 34th Street Venture LLC. In determining the fair value of the property at 30 June 2022, the appraiser adopted a capitalisation of income approach.

The fair value of the property as at 30 June 2022 was US\$13,420,000 (A\$19,440,823), resulting in a total fair value decrement recognised during the period of US\$2,090,000 (A\$3,027,669), of which the Group's economic share was US\$1,358,500 (A\$1,967,985). The Investee had borrowings totaling US\$7,753,870 (A\$11,232,609).

523 West 135th Street Venture LLC

During the period, Walker & Dunlop, Inc was appointed to value the investment property owned by 523 West 135th Street Venture LLC. In determining the fair value of the property at 30 June 2022, the appraiser adopted a capitalisation of income approach.

The fair value of the property as at 30 June 2022 was US\$4,760,000 (A\$6,895,553) resulting in a total fair value decrement recognised during the period of US\$520,000 (A\$753,296), of which the Group's economic share was US\$336,492 (A\$487,458). The Investee had borrowings totaling US\$4,392,678 (A\$6,363,433).

The Group has classified its equity investments as a Level 3 hierarchy level asset due to the fair value measurement of the Investees' investment properties being based on inputs that are not observable for the assets, either directly or indirectly, as follows:

Class of investment	Fair value hierarchy level	Fair value (\$) 30 Jun 2022	Fair value (\$) 31 Dec 2021	Inputs
Equity investments - fair value	Level 3	10,152,463	14,197,771	- Net market income of US\$14.88 - US\$20.54 (31 December 2021: US\$14.86 - US\$20.60) per square foot - Capitalisation rates ranging from 5% to 5.5% (31 December 2021: 4.75%)

There were no transfers between the fair value hierarchy levels during the period.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

4. Other assets

	30 Jun 2022	31 Dec 2021
	\$	\$
Current assets		
Deferred leasing fee	4,357	11,289
Other assets (escrow deposits and receivables)	288,335	335,414
	<u>292,692</u>	<u>346,703</u>
	30 Jun 2022	31 Dec 2021
	\$	\$
Non-current assets		
Facility reserve accounts (i)	6,798,596	8,373,057
	<u>6,798,596</u>	<u>8,373,057</u>

(i) The Group had the following balances held on reserve with Global Atlantic ('GA') as required under the terms of the facility (refer note 12(i)):

- An interest reserve totalling US\$3,600,000 (A\$5,215,124) 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\$487,917 (A\$706,819) 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\$130,154 (A\$188,546) 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\$475,000 (A\$688,107) 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.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2022

5. Investments in jointly controlled entities

Jointly controlled entities	Country of incorporation	Principal activity	Principal place of business	Ownership Interest	
				30 Jun 2022 %	31 Dec 2021 %
Golden Peak II LLC (i)	USA	Property Investment	Hudson County, NJ	67.5%	67.5%
Gold Coast Equities LLC (i) (ii)	USA	Property Investment	Hudson County, NJ	92.5%	92.5%

- (i) The Fund does not have existing rights that give it the current ability to direct the relevant activities of the entity and therefore does not exercise control of the entity.
- (ii) The investment properties owned by Gold Coast Equities LLC were disposed of and the net assets were fully distributed in prior years. These entities are in the process of being dissolved.

6. Investment properties

	30 Jun 2022 \$	31 Dec 2021 \$
Disclosed on the Condensed Consolidated Statement of Financial Position as:		
Current assets		
Investment properties held for sale	6,387,078	31,583,368
Non-current assets		
Investment properties	932,091,347	857,260,267
	<u>938,478,425</u>	<u>888,843,635</u>
	30 Jun 2022 (6 months)	31 Dec 2021 (12 months)
At fair value		
Balance at beginning of period	888,843,635	917,371,669
Payments for improvements to investment properties	3,277,598	5,465,246
Fair value movement of investment properties to market	26,426,240	36,790,902
Fair value movement of investment properties due to damage	-	(960,431)
Disposals	(25,498,985)	(119,711,746)
Exchange rate differences on translation	45,429,936	49,887,995
Balance at end of period	<u>938,478,425</u>	<u>888,843,635</u>

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.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

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 of properties 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 a three-year rotation 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 the Group. 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)
- Eric Sidman Hudson Advisory Team (licensed real estate agent)
- Patrick Southern Coldwell Banker (licensed real estate agent)
- Tamara Marotta Corcoran Group (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.

At 30 June 2022, 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 2022	Fair value (\$) 31 Dec 2021	Valuation technique	Inputs
Residential use investment property	Level 2	938,478,425	888,843,635	Direct comparable sales	<ul style="list-style-type: none"> - Selling price - Geographic location - Property age and condition - Size of Property - Number of rooms

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2022

6. Investment properties (*continued*)

The fair value of the Group's portfolio of investment properties at 30 June 2022 was determined based on market conditions existing at balance date. Due to the impact that the COVID-19 pandemic could have on valuations of investment properties, a sensitivity analysis has been performed on the fair value adopted at 30 June 2022 below to consider the movement in the fair value of the portfolio of investment properties 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)	(46,924)	46,924

7. Security deposits

	30 Jun 2022	31 Dec 2021
	\$	\$
Security deposits	631,046	599,768

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 2022	31 Dec 2021
	\$	\$
Leasehold improvements and office equipment - at cost	324,034	307,975
Accumulated amortisation and depreciation	(279,923)	(251,947)
	<u>44,111</u>	<u>56,028</u>

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

9. Leases

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

	30 Jun 2022	31 Dec 2021
	\$	\$
Right-of-use asset		
Opening Balance	952,479	-
Recognition of right-of-use asset	-	1,053,897
Depreciation charge	(169,705)	(189,584)
Reassessment of lease liability	-	23,434
Exchange rate differences on translation	42,528	64,732
Closing Balance	<u>825,302</u>	<u>952,479</u>

During the prior year, the Group became lessee of the premises at Harborside Financial Center, Jersey City, New Jersey. A right-of-use asset has been recognised at cost less accumulated depreciation. The asset is depreciated on a straight line basis over the term of the lease.

On 1 October 2020, the Group executed a sublease in respect of its lease of the office space located at 140 Broadway, New York, New York. Upon commencement of the sublease, the balance of the right-of-use asset was reclassified to a net investment in sublease receivable.

Under the terms of the sublease, lease payments by the subtenant commenced on April 1, 2021.

	30 Jun 2022	31 Dec 2021
	\$	\$
Net investment in sublease		
Opening balance	3,696,802	3,954,222
Interest income	116,874	259,382
Lease payments received	(511,797)	(735,107)
Exchange rate differences on translation	176,163	218,305
Closing Balance	<u>3,478,042</u>	<u>3,696,802</u>

Disclosed as:

	\$	\$
Current	865,586	795,614
Non-current	<u>2,612,456</u>	<u>2,901,188</u>
	<u>3,478,042</u>	<u>3,696,802</u>

	30 Jun 2022	31 Dec 2021
	\$	\$
Lease liabilities		
Opening Balance	5,022,838	4,468,644
Recognition of additional lease liability	-	1,053,897
Interest expense	94,441	196,132
Lease repayments	(703,159)	(1,027,140)
Reassessment of lease liability	-	23,434
Exchange rate differences on translation	236,316	307,871
Closing Balance	<u>4,650,436</u>	<u>5,022,838</u>

Disclosed as:

	\$	\$
Current	1,312,153	1,218,989
Non-current	<u>3,338,283</u>	<u>3,803,849</u>
	<u>4,650,436</u>	<u>5,022,838</u>

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

9. Leases (continued)

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

	30 Jun 2022	31 Dec 2021
	\$	\$
Lease liabilities - contractual undiscounted cash flows		
Not later than one year	1,471,808	1,394,383
Later than one year and not later than five years	3,511,871	4,038,719
	<u>4,983,679</u>	<u>5,433,102</u>

10. Deferred tax liabilities

	30 Jun 2022	31 Dec 2021
	\$	\$
Investment properties	45,126,479	37,190,334

Movements

Balance at beginning of period	37,190,334	44,011,090
Charged to profit or loss as income tax expense	5,996,623	9,159,693
Impact of change in rate used to measure deferred tax liability	-	(18,123,750)
Unrealised foreign exchange loss	1,939,522	2,143,301
Balance at end of period	<u>45,126,479</u>	<u>37,190,334</u>

Income tax expense/(benefit) is comprised of:

	30 Jun 2022	31 Dec 2021
	\$	\$
Deferred tax charged/(credited) to profit or loss	5,996,623	(8,964,057)
State and withholding tax payable	59,362	50,193
Income tax expense/(benefit)	<u>6,055,985</u>	<u>(8,913,864)</u>

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.

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 the realisation and distribution of the Fund's taxable gains. In the Directors' view, the Group had established a sustained level of trading that exceeds the threshold to qualify for a 15% tax rate.

Should the level of trading reduce in the future, 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%.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

11. Payables

	30 Jun 2022	31 Dec 2021
	\$	\$
Current		
Trade payables	251,919	670,744
Distribution payable	6,211,404	6,306,643
Other payables	4,988,245	3,427,573
	<u>11,451,568</u>	<u>10,404,960</u>

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. Borrowings

	30 Jun 2022	31 Dec 2021
	\$	\$
Non-current liabilities		
Secured bank loans — at amortised cost	500,466,377	477,758,714
	<u>500,466,377</u>	<u>477,758,714</u>

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 2022 Principal amount – amortised cost \$	31 Dec 2021 Principal amount – amortised cost \$
Global Atlantic	(i)	(i)	(i)	918,727,592	500,466,377	477,758,714
					<u>500,466,377</u>	<u>477,758,714</u>

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

12. 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\$348,034,311.

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.

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.

Bridge Loan component

The facility was interest-only and bore interest at a fixed rate of 5%. Other than in specific circumstances (such as the sale of a property), principal repayments were not required under the terms of the facility.

There were no penalties associated with the early repayment of the Bridge Loan.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

12. 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\$4,693,071 (A\$6,798,596) placed in interest, taxes, insurance and capex reserves (refer note 4(i)).
- A Deposit Account Control Agreement in respect of the Rent Deposit Account, a deposit 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 \$927,317,860 including property assets valued at \$918,727,592.

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.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

12. Borrowings (continued)

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

Facility	Principal drawn \$	Principal available \$	Total \$
Global Atlantic	504,178,344	-	504,178,344
	504,178,344	-	504,178,344

13. Capital and reserves

Issuance of ordinary units

In relation to the CPU distribution paid on 23 February 2022, 5,025,261 units were issued under the Group's Distribution Reinvestment Plan, for an amount of \$1,507,568.

	30 Jun 2022 No.	31 Dec 2021 No.
Number of ordinary units outstanding	400,959,690	395,934,429
Effect of dilution - convertible step-up preference units (CPUs)	408,094,935	408,094,935
Total number of diluted units	809,054,625	804,029,364

14. 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 (2021: nil).

There are no further contributions contractually required to be made by the Group to any of its investees.

15. 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 2022 \$	31 Dec 2021 \$
Not later than one year	1,048,303	996,342
Later than one year and not later than five years	2,933,409	3,286,182
	3,981,712	4,282,524

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

16. 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 deemed to be key management personnel.

Mr. Kevin McAvey and Mr. Brian Disler were joint CEOs of the US REIT up until 14 June 2022 and were deemed to be key management personnel. Effective 14 June 2022, Mr. Kevin McAvey became the sole CEO of the US REIT.

Other than Mr. Kevin McAvey and Mr. Brian Disler, the key management personnel did not receive compensation from the Group during the period.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2022

16. Related parties (continued)

Payments made to the Responsible Entity and related parties

Management Fees	2022	2021
<p>Responsible Entity fee (payable by the Fund)</p> <p>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. Up until 31 December 2021, the Responsible Entity charged a Responsible Entity fee of 0.08% (exclusive of GST) of the gross assets of the Fund and an administration fee of 0.25% (exclusive of GST) of the gross assets of the Fund. From 1 January 2022, the administration fee was waived indefinitely.</p> <p>The amount owed to the Responsible Entity in respect of the responsible entity fee at 30 June 2022 is \$66,644 (31 December 2021: \$297,353).</p>	\$404,813	\$1,708,797
<p>Other services provided by the Responsible Entity and related parties of the Responsible Entity</p>	2022	2021
<p>Fund administration services (payable by the Fund)</p> <p>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.</p> <p>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.</p>	\$61,697	\$62,337
<p>Architecture, design and construction services (payable by the US REIT)</p> <p>The renovation of the Group's portfolio is complete.</p> <p>Dixon Projects LLC (a subsidiary of E&P Financial Group Limited, who is the parent entity of the Responsible Entity) provided architecture, design, and construction services to the Fund, including procurement and inventory management, permitting and approval process management and construction project management. Dixon Projects provided on-site project administration and management, overseeing and coordinating all aspects of the construction process, working closely with contractors to control quality and costs for the Group.</p> <p>These services were provided under the Property Services and the Design and Architectural Services Master Agreements. Under the terms of these agreements, Dixon Projects was entitled to charge a development fee of 5%, General Conditions fee of 15% and insurance fees of 1.25%.</p> <p>No fees were charged in the current period. For the 6 months ended 30 June 2021, the fee includes \$128,581 of General Conditions and insurance, and a development fee of \$44,783, charged by Dixon Projects.</p>	\$0	\$173,364

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

16. Related parties (continued)

<i>Recoveries and recharges paid to (or received from) the Responsible Entity</i>	2022	2021
<p><i>Responsible Entity and E&P Financial Group USA Inc expense recharge (payable by the Fund and the US REIT)</i></p> <p>From time to time, the Group may share resources with E&P Financial Group USA, Inc and/or the Responsible Entity. Where this occurs, the Group may recover the costs of the resources.</p> <p>During the period, the Group recovered certain shared payroll and office related costs from E&P Financial Group USA, Inc and its subsidiaries. The total amount owed to the Group at 30 June 2022 is \$62,353 (31 December 2021: \$48,227).</p> <p>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.</p> <p>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.</p> <p>Up until 31 May 2021, the office located at Harborside Financial Center, New Jersey was leased by E&P Financial Group USA, Inc. The Fund reimbursed E&P Financial Group USA, Inc for its share of the rental expense for the 5 months ended 31 May 2021, totalling \$75,624. From 1 June 2021, the Fund became lessee of the premises at Harborside Financial Center.</p>	<p>(\$303,687)</p> <p>\$67,317</p> <p>\$705,449</p> <p>\$0</p>	<p>(\$194,745)</p> <p>\$133,295</p> <p>\$0</p> <p>\$75,624</p>
<p><i>Consultancy services</i></p> <p>Effective 11 November 2019, the Responsible Entity of the Fund entered into an agreement with MA Law to provide advisory and transactional legal services, and legal consultancy services to the Responsible Entity and the investment schemes under its fiduciary. Mike Adams, who was previously a director of the Responsible Entity, is also a director of MA Law. On 9 December 2021, Mike Adams resigned as a director of the Responsible Entity.</p>	<p>\$0</p>	<p>\$16,007</p>

Related party investments in the Fund

As at 30 June 2022, E&P Private Investments Pty Limited, a wholly owned subsidiary of E&P Financial Group Limited, owned 3,650,453 (31 December 2021: 3,650,453) ordinary units in the Group.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2022

17. Controlled entities

E&P Investments Limited is the Responsible Entity of both the Fund and the US REIT.

		Ownership interest	
		30 Jun 2022	31 Dec 2021
Parent entity			
US Masters Residential Property Fund	Australia		
Subsidiary			
US Masters Residential Property (USA) Fund	United States	100%	100%
Melbourne, LLC	United States	100%	100%
EMU LLC	United States	100%	100%
Geelong LLC	United States	100%	100%
St Kilda LLC	United States	100%	100%
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	100%	100%
Carlton URF LLC	United States	100%	100%
Collingwood URF LLC	United States	100%	100%
Fremantle URF LLC	United States	100%	100%
AFL URF LLC	United States	100%	100%
NRL URF LLC	United States	100%	100%
Newcastle URF LLC	United States	100%	100%
Canterbury URF LLC	United States	100%	100%
Manly Warringah URF LLC	United States	100%	100%
Penrith URF LLC	United States	100%	100%
Brisbane URF LLC	United States	100%	100%
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	100%	100%
NJ Penelope LLC	United States	100%	100%
Jett URF Holdings LLC	United States	100%	100%
Kenny URF Holdings LLC	United States	100%	100%
History Homes LLC	United States	100%	100%

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

18. Subsequent events

A distribution of \$3.10 per Convertible Preference Unit totalling \$6,171,192 was declared on 22 June 2022 and was paid to unitholders on 25 August 2022. 6,621,858 units were issued under the Group's Distribution Reinvestment Plan.

As of 25 August 2022, the Group has bought back 6,676,119 ordinary units for a total consideration of \$1,864,030 and 66,851 Convertible Preference Units for a total consideration of \$3,723,894.

While the Fund's results have to date proven to be resilient against the disruption and economic impacts caused by COVID-19, the impact on the Group's performance of future developments regarding the virus cannot be known as of reporting date.

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.

19. 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 2022

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 2022

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"), which comprises the condensed consolidated statement of financial position as at 30 June 2022, 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 at 30 June 2022 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 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 2022 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



David Haynes
Partner
Chartered Accountants
Sydney, 30 August 2022

