



US Masters Residential Property Fund (Fund)

ASX Code: URF

Investment and NAV Update - 31 December 2022

The unaudited fully diluted net asset value (NAV) before tax as at 31 December 2022 is estimated to be \$0.67 per unit.

If estimated tax on unrealised portfolio gains or losses were recognised, the unaudited fully diluted post-tax NAV as at 31 December 2022 is estimated to be \$0.60 per unit.

The Fund's NAV updates reflect the property values determined as a result of the 30 June 2022 appraisal process. Each monthly NAV update accounts for the operational results of the months since 30 June 2022, as well as asset sales, investor distributions and foreign exchange movements over this time period. These NAV estimates are calculated on a "fully diluted" basis, accounting for the confirmed conversion of the URF Convertible Preference Units (ASX: URFPA), which were converted into ordinary URF units on 3 January 2023.

The Fund is in the process of finalising its half-yearly property portfolio valuation exercise. The updated portfolio valuation will be included in the 31 December 2022 full-year financial report, with release expected by the end of February. Accordingly, the estimated NAV as at 31 December 2022 does not take into account any potential changes to the property portfolio fair value that might arise from that revaluation exercise.

Brooksville Joint Venture

Following the finalisation of the joint venture (Joint Venture or JV) with Brooksville Company LLC (Brooksville) and Pinnacle City Living, LLC (a New York based property management firm and subsidiary of Cushman & Wakefield) (Pinnacle)), announced 3 January 2023 ([here](#)), we have received some questions from investors relating to the agreements. As outlined in the Chair's Letter in the 30 June 2022 Half Year accounts, the investment of US\$1.5m by Brooksville's founders' capital was made at a valuation equal to the value determined during the Rockpoint Group LLC (Rockpoint) bulk sale transaction in early 2022 (Bulk Sale Transaction). The performance fee threshold is also based upon this value. This value was determined to be a fair starting point for the joint venture partnership, as it was calculated following a comprehensive capital markets process run by the Fund's advisers Ackman Ziff.

The remaining multi-family assets and cash held on the balance sheet sit outside the Joint Venture with Brooksville.

The A\$0.40 per unit performance hurdle outlined in the Joint Venture announcement represents the aggregate amount that must be returned to URF, which includes both the JV assets and the assets outside of the JV (cash and multi-family). A\$0.40 per unit is required to be returned to the Fund in aggregate before Brooksville are able to make any sort of incentive payment. The Fund's current cash balance and multi-family assets are excluded from the performance fee.

In regards to further capital management initiatives, the RE Board will evaluate all of the factors relating to the portfolio, available capital, and market pricing of securities on an ongoing basis in determining best use of capital.

Source: E&P Investments Limited – the historical performance is not a guarantee of the future performance of the Portfolio or the Fund.

Authorised for release by E&P Investments Limited (ACN: 152 367 649, AFSL: 410 433), the responsible entity of the Fund.

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The overall impact on General & Administrative (G&A) expenses is expected to be articulated in more detail as part of the 31 December 2022 financial accounts, however there will be no material change to the G&A expenses as a result of the appointment of Brooksville and Pinnacle.

The package of services that Brooksville and Pinnacle are performing for the Fund was put to tender and responses were received from a number of different groups. Three groups, including Brooksville/Pinnacle, were shortlisted and Brooksville/Pinnacle were determined to be the best option for the Fund.

Finally, the portfolio valuation methodology will not change as a result of the JV. Under the accounting standards, the fair value of the portfolio is required to be assessed on a 'Unit of Account' basis and will be determined in accordance with the Group's standard appraisal process.

Sales Program Update

During the month of December, the Fund closed on the sale of two properties for a total of US\$1.22m. The combined book values of these two properties was US\$1.21m, and the total closing costs associated with these two sales were US\$86,847.

As outlined in the joint venture announcement, Brooksville's strategy to return capital to unitholders will predominately be driven by a continuation and acceleration of asset sales from URF's 1-4 Family portfolio. To this end, Brooksville will identify sub-markets with the strongest fundamentals and seek to accelerate the sales program in those locations. Furthermore, Brooksville will work with and carefully manage local brokers to minimise selling costs and ensure the properties are aggressively marketed.

Buyback Update

Following the commencement of the Fund's buyback program in July, as at 31 December 2022 the Fund has executed on the purchase of 26,021,946 URF Ordinary units for a total consideration of \$7,165,886 as well as 186,932 URF Convertible Preference Units for a total consideration of \$10,705,406.

The Fund continues to actively manage its on market buyback for URF securities. The Fund remains focused on the buyback and will look to keep the buyback active including by, if necessary, calling an extraordinary general meeting for additional capacity.

Rent Collection Update

Throughout December, the Fund's 1-4 family portfolio collected funds equivalent to 95% of the month's rent roll. The rent collected includes receipts for December, as well as outstanding payments for prior months.

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