

K2 Asset Management

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K2 Asset Management Holdings Ltd (KAM): Evans & Partners Funds Unitholder Update

URF Unitholder Update

On 15 May 2023 K2 announced that it had been selected by E&P Investments Limited (E&PIL) to take on the Responsible Entity (RE) role for the below listed Funds:

1. US Masters Residential Property Fund
2. CD Private Equity Fund I
3. CD Private Equity Fund II
4. CD Private Equity Fund III
5. CD Private Equity Fund IV
6. Venture Capital Opportunities Fund

Unitholder votes are expected to take place on 19 and 27 June 2023, and upon the votes passing, E&PIL will be replaced by K2 as the RE. K2 has also been selected by E&PIL to take on the Trustee role of the CD III Australian Wholesale Fund.

As we work towards the unitholder votes, K2 have received feedback on a number of items pertaining to the US Masters Residential Property Fund (ASX: **URF**).

Feedback has been in relation to the following:

- **Investment strategy & asset sales**
- **Special distributions**
- **Buy backs volumes**
- **Investor communications**
- **Management of the debt facility**
- **Remuneration alignment of the manager**
- **Remuneration of the RE**



Noting the above, K2 will prioritise the review of this feedback following its appointment as RE. In summary:

- K2 are committed to working closely with Brooksville to ensure an orderly and **timely return of capital to investors**. K2 will review the level of sales and assess the current valuation methodology.
- K2 do not intend to change the investment strategy of URF or to slow the **capital returns to its unitholders**.
- Feedback to date has been in favour of the orderly and timely return of capital to unitholders. K2 will explore implementing a **regular distribution program** to complement an active buy-back strategy.
- Focusing on the discount to NTA, K2 are committed to narrowing this discount and will **review the buy-back strategy** of URF.
- **Strategies to narrow the discount to NTA** include a robust buy-back strategy, special distributions and regular marketing and communications. Confidence around the sale of assets and the consistent return of capital are key.
- The communication to investors will be refined with regular **roadshows to complement additional webinars** with the manager. This will provide an open forum for ongoing communication with Brooksville and K2.
- The treatment of URF's loan facility, maturing in mid-2026, has been questioned, specifically around the timing of the refinance and the drawdown of the current facility. The favourable fixed rate of 4% in this current environment is a significant asset to URF and has been part of K2's **early planning with the manager**.
- The manner in which Brooksville has been incentivised to sell down and manage the assets of the Fund have been raised. Brooksville are required to deliver an 8% compound annual return above A\$0.40 cents per unit to URF unitholders before they receive any incentive payments. K2 will work closely with Brooksville to **ensure that the sell down is aligned with unitholder interests**.
- K2 will provide a **lower aggregate fee** for the provision of RE services to the Fund, resulting in a lower cost to unitholders.
- The focus is on **maximising returns to investors** and implementing strategies to **narrow the discount to NTA** through a combination of **special distributions**, a **robust buy-back strategy** in line with **asset sales**.

K2 becoming the RE of the Funds is in line with the E&P Financial Group exiting from its non-core businesses.

K2 are not unitholders in the Fund and are **independent**.

We are committed to having open and transparent discussions with unitholders who wish to do so. Please contact us via the following email address: reservices@k2am.com.au