



**US Masters
Residential
Property Fund**

URF Notes III

January 2017

Disclaimer

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Business and Investment Overview



US Masters Residential Property Fund (URF)

- Real estate investment trust (REIT), with \$1,130¹ million of consolidated total assets, focused on NYC metropolitan area single-family housing
 - established and listed June 2011, moved to Australian Securities Exchange June 2012
- Portfolio² includes 1,572 housing units across 601 houses and 14 apartment complexes
 - largest Australian-listed property trust with a primary strategy of investing in US residential property
- Integrated business model
 - acquire at attractive valuations, renovate to high standards, professionally lease & manage

A leading provider of urban single-family home rentals in the New York metropolitan area

¹ At 30 June 2016

² At 31 December 2016

NYC residential investment

Acquire, redevelop, lease NYC metro housing

- Quality houses acquired at or below replacement cost
 - Proprietary deal sourcing and specialist construction capabilities
 - Target undervalued neighbourhoods experiencing rapid growth and gentrification
- Strong relationships in the real estate markets within target investment area
 - Ample supply of housing stock with strong rental demand
- Acquisitions include a mix of
 - High-end residences: typically generating lower current rental yields while providing greater long-term rental rate and capital appreciation
 - Workforce housing: typically generating higher current income but with more modest long-term rental rate and capital appreciation upside
- 2016 \$50.3 million of renovations across 109 properties

Positioned for continued growth

Cumulative shareholder return (unit price)



Annualised total unitholder returns since inception of 9.75%¹

¹ At 31 December 2016 – Unit price of \$2.07, inclusive of reinvested distributions

Source: Bloomberg and Walsh & Company

Investing in the community

- Committed to the betterment of local neighbourhoods and communities in which we operate
- Highlights the unique capabilities of Dixon Project's architectural design and project management teams
- Jersey City Landmarks Conservancy Awards
 - Winner Preservation Initiative Award in 2014
 - Winner Excellence in Preservation Award in 2016
 - *"For [Dixon's] mindful renovations of architecturally significant Jersey City properties, including many outside of the historic districts."*
- New York Construction Awards
 - Winner: Rising Star Award for 2015
 - Award honours valuable contributions to New York City by industry leaders in construction, design, and development



Investment Portfolio



**US Masters
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Property Fund**

Target investment area

- The New York metropolitan area is the most densely populated area in the United States
- It is the largest metropolitan area in the US by both population and economic output
- Since the housing market lows of 2012, strength in the New York housing market has been driven by:
 - Strong economic expansion
 - Jobs growth
 - Positive demographics
 - Tightening housing supply
 - Rising rental rates

The Fund focuses on investment within undervalued neighbourhoods experiencing growth and gentrification

Investment focus

Fund has targeted four distinct investment markets

Multi-family: apartment blocks, typically 20-100 units, in both NJ and NY

New Jersey (Hudson) workforce: middle income housing markets in Hudson County

New Jersey (Hudson) premium: higher-end housing stock in select Hudson County markets

New York premium: higher-end housing stock and select neighbourhoods Brooklyn, Manhattan and Queens

Current portfolio

Freestanding Portfolio¹

Area	Properties	Value (US\$million)
New York Premium	143	383.7
New Jersey (Hudson) Premium	135	244.0
New Jersey (Hudson) Workforce	323	140.2
Total	601	767.9

Multi-family Portfolio¹

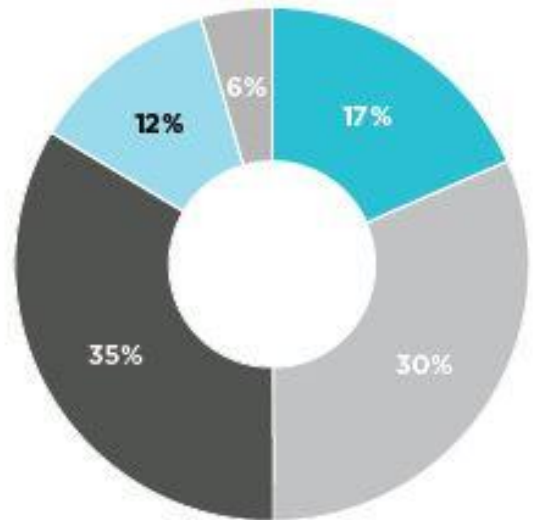
Joint Venture Investments	Units	Value (US\$million)
Golden Peak II, LLC	400	33.5
515 West 168 th Street	84	11.8
Total	484	45.3

High-quality, unique and diversified portfolio of New York metropolitan area residential housing

¹ At 31 December 2016

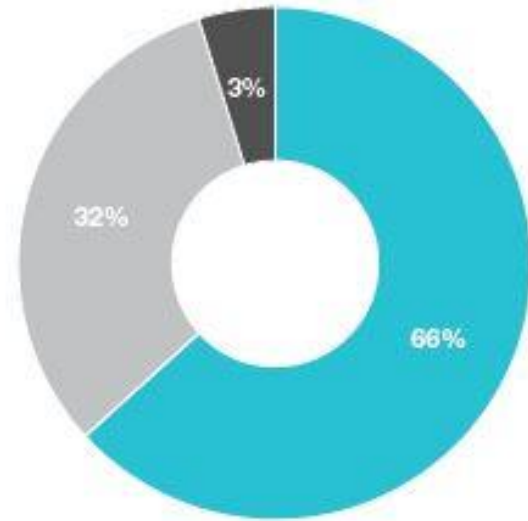
Current portfolio cont.

Property distribution – by value¹



■ Hudson Workforce ■ Hudson Premium
■ Brooklyn ■ Manhattan/Queens
■ Multi-family

Property status – by value¹



■ Occupied ■ Renovation/Turnover ■ For Lease

¹ At 31 December 2016. Numbers may not add due to rounding.
Source: Walsh & Company

Case Study: 211 Powers Street

- Outdated three-family home, located on a quintessential East Williamsburg block, Brooklyn
- Renovation added refreshing finishes while maximising the number of bedrooms



Acquisition Cost	US\$1.8 million (May 2016)
Renovation Cost	US\$0.48 million
Last Valuation	US\$2.4 million (December 2016)
Current Lease	US\$8,720 per month

Case Study: 37B Gautier Avenue

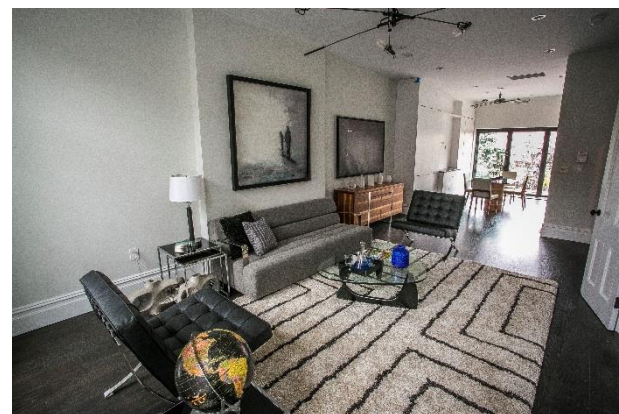
- Located in one of the most coveted parts of Journal Square, Jersey City
- Unit 2 received a new entry hall, flooring and paint job while Unit 1 was updated with new fixtures and paint completing a fresh finish



Acquisition Cost	US\$240,000 (November 2012)
Renovation Cost	US\$130,878
Last Valuation	US\$645,000 (November 2016)
Current Lease	US\$3,305 per month

Case Study: 283 1st Street

- A luxurious single-family townhome situated in Brooklyn just off Park Slope's bustling commercial corridor
- Gut renovations feature marble mantels and ornate woodwork



Acquisition Cost	US\$1.8 million (August 2013)
Renovation Cost	US\$1.58 million
Last Valuation	US\$4.1 million (November 2016)
Current Lease	US\$13,795 per month



URF Notes III Overview



URF Notes III key terms

Issuer	Walsh & Company Investments Limited as responsible entity for the US Masters Residential Property Fund
Structure	Unsecured debt notes. Issuer to apply for quotation on the ASX.
Interest Rate	7.75% fixed per annum, payable quarterly; first payment scheduled for 31 March 2017
Maturity	24 December 2021, early partial or full repayment from 24 December 2019 or earlier in certain circumstances
Offer Size	\$50 - \$100 million, oversubscriptions up to a further \$50 million
Priority Offer	Under the Priority Offer, the Issuer has allocated up to 500 URF Notes III for each Applicant who is a Unitholder or URF Noteholder on the Offer Closing Date. An Applicant who holds Units as well as URF Notes I and/or URF Notes II is entitled to apply for up to 1,000 URF Notes III under the Priority Offer. ¹
Debt Arranging Fee ²	1%
Stamping Fee ²	1.025%

¹ Final allocation under this Offer is subject to scaling at the Responsible Entity's discretion.

² All fees are expressed inclusive of GST (where applicable) and net of RITC (where applicable)

Capital structure

URF Level			
Equity market capitalisation	approx. A\$709m ¹	Approximately 9.75% ² p.a. total unitholder returns since inception	
URF Notes	A\$150m	Interest rate 7.75% p.a.	Maturity date of 24 December 2019
URF Notes II	A\$90.5m	Interest rate 7.75% p.a.	Maturity date of 24 December 2020
URF Notes III	A\$50m – A\$100m ³	Interest rate 7.75% p.a.	Maturity date of 24 December 2021
US REIT Level			
Fortress Facility	approx. US\$68m ⁴	Interest rate approximately 6.1% ⁴ p.a.	Maturity dates of July 2018 and July 2020
Centennial Facility	approx. US\$90m ⁴	Interest rate approximately between 5.65% and 6.3% ⁴ p.a.	Maturity date of February 2021
Investors Bank	approx. US\$63m ⁴	Interest rate between 3.5% and 4.0% ⁴ p.a.	Maturity dates between June 2022 and June 2026

Fund seeks diversity of funding sources, maturities, and terms

¹ 20 January 2017 (based on the \$2.05 closing price of Units traded on the ASX on that date)

² 31 December 2016 – Unit price of \$2.07, inclusive of reinvested distributions

³ Ability to accept oversubscriptions of up to A\$50m

⁴ Gross debt and interest rates as at 31 December 2016

Capital management

Long-term target gearing level of approximately 50%

	Actual 30 June 2016 (reviewed)	Unaudited pro forma 30 June 2016 adjusted ¹	Unaudited pro forma \$50 million Offer	Unaudited pro forma \$100 million Offer	Unaudited pro forma \$150 million Offer
Leverage ratio ²	49%	45%	47%	49%	51%
Leverage ratio (look through) ²	48%	44%	46%	48%	50%

Optimising the capital structure

¹ Based on 30 June 2016 balance sheet adjusted for additional equity raised post this date to 31 December 2016, payment of the 30 June 2016 distribution (including the issue of units under the distribution reinvestment plan).

² Leverage ratio = Gross debt / Gross assets

Key investment risks

A list of key risks set out in the prospectus in section 1.5 are outlined below

Priority Risk - Subordinated and Unsecured Creditors	Interest payment and Face Value Repayment risk	Early Redemption by the Issuer
No Individual right to Redeem	Potential additional indebtedness	Market risk
Liquidity risk	Amendment to URF Notes III Terms	Risk of non compliance with covenants and undertakings not an Event of Default
Risk of poor Fund performance	Risk of the US and New York residential property market and the Fund's concentrated geographic focus	Borrowing, deposit and refinance risk
Renovation risk	Joint venture risk	Key personnel risk
Foreign exchange risk	Gearing risk	Interest rate risk
Taxation and other regulatory risk		

Offer timetable¹

Lodgement of Prospectus with ASIC	23 January 2017
Expected Offer Opening Date (9:00am Sydney time)	1 February 2017
Expected Offer Closing Date (5:00pm Sydney time)	13 February 2017
Issue and allotment of URF Notes III	20 February 2017
Trading of URF Notes III expected to commence on ASX	23 February 2017
First Call Date ²	24 December 2019
Maturity Date ²	24 December 2021

¹ Indicative timetable, may be subject to change

² Early partial or full repayment from 24 December 2019 or earlier in certain circumstances

Summary

The Fund employs an integrated business model focused on acquisition and renovation

Active portfolio and capital management

Take advantage of current market conditions

Long-term returns through rental yields and capital growth

Applications under the Offer can be made using the Application Form issued and attached to the Prospectus to be lodged with the ASX on the Offer Opening Date, or through the online Application Form or through the online Application Form at www.usmrpf.com.au which will be uploaded on the same day. Before making a decision to make or hold any investment in URF Notes III you should consider the Prospectus in full and seek advice if necessary.

