

14 November 2014

US Masters Residential Property Fund (Fund)

ASX Code: URF

Investment and NTA Update – 31 October 2014

NTA update

The estimated unaudited net tangible asset before withholding tax on unpaid distributions as at 31 October 2014 was \$1.70* per Unit.

The Fund is a long-term investor and does not intend to dispose of its total portfolio. If estimated tax at 35% on unrealised portfolio gains or losses were recognised, the estimated unaudited post-tax net asset value before withholding tax on unpaid distributions as at 31 October 2014 would be \$1.63* per Unit.

Property portfolio update

During October, the Fund acquired 3 properties for a total cost of US\$4.3 million. Please find detailed description of each property on the following pages.

The Fund also closed on the sale of 5 properties for a combined sales price of US\$2.1 million, with the net proceeds to be redeployed into the target market.

Freestanding and multi-dwelling properties (URF share)

	# of Properties	# of Units	Acquisition cost ¹
Freestanding	545	1,127	US \$318m
Multi-dwelling	27	931	US \$94m
Total	572	2,058	US \$412m

Note 1: Total acquisition costs inclusive of all property related closing costs which includes attorney fees, title charges, survey costs, government recording and transfer charges and bulk sale compliance fees.

*Source: Dixon Advisory & Superannuation Services Limited – the historical performance is not a guarantee of the future performance of the Portfolio or the Fund.

US Masters Residential Property Fund is the first Australian-listed entity with the primary strategy of investing in the US residential property market. Its portfolio comprises freestanding and multi-dwelling properties in the New York metropolitan area. The Fund is managed by Dixon Advisory & Superannuation Services Limited.

Fund update

The six month period from May to October (**Period**), which includes the busy Northern Hemisphere summer leasing season, has been a very successful one for the Fund, with a number of operational targets and milestones achieved.

Premium portfolio

The Fund has continued to increase the rate at which it delivers premium properties from the renovation pipeline to the rental market. During the Period, 29 premium housing units, representing US\$16.6 million of construction, were delivered to market. These projects were focused predominately in Brooklyn, New York (57% by value) and Downtown, Jersey City (23% by value). In addition to an uplift in capital value these renovations have added to the portfolio, the Fund has already been able to lease a majority of this property pool, generating a gross annual rent increase of US\$1.1 million.

Workforce portfolio

The Fund has also been successful at increasing the efficiency with which it completes lighter, cosmetic renovations on its Hudson County workforce units. During the Period, the Fund completed cosmetic renovations on 94 housing units, resulting in an average rental uplift of approximately 4%.

Occupancy rates and rental milestones

The Fund's high quality finished product, in combination with strong demand for rentals in the target New York metropolitan area market, have resulted in occupancy rates across the freestanding portfolio exceeding budget. At 31 October 2014, the occupancy rate for rent-ready freestanding housing units exceeded 96%.

Additionally, the exceptional quality of recently completed projects has been a driving factor in the Fund's ability to achieve above-market rental rates. During the period, record market rents were achieved in Crown Heights, Brooklyn and in the Heights and Downtown districts of Jersey City. The fund also achieved its highest monthly rent of US\$15,995 per month for a town home in Park Slope, Brooklyn.

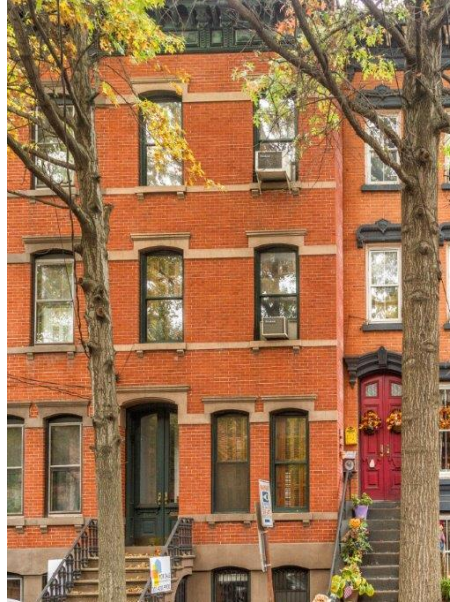
Balance sheet strength

During the month, US Masters Residential Property (USA) Fund, the Fund's primary US subsidiary, closed on its seventh tranche of term debt financing from Investors Bank of US\$17 million, further strengthening the Fund's balance sheet and taking its free-standing property financings to US\$116.9 million.

The Fund continues to explore options to diversify and optimise its financing structure, including financing alternatives at the Fund and subsidiary level and in US and Australian dollars, while maintaining the target gearing ratio of 50% across the Fund and its controlled entities.

ADDRESS: 244 7TH STREET, JERSEY CITY, NJ

REGION: DOWNTOWN



PROPERTY DESCRIPTION:

- 1-family attached
- Apt 1: 5 bed/3 bath
- Approximate land size 1,675 sq ft
- Walk Score®: 97

KEY STATISTICS:

Acquisition Date: 17 October 2014

Total Acquisition Cost: US\$1,227,642

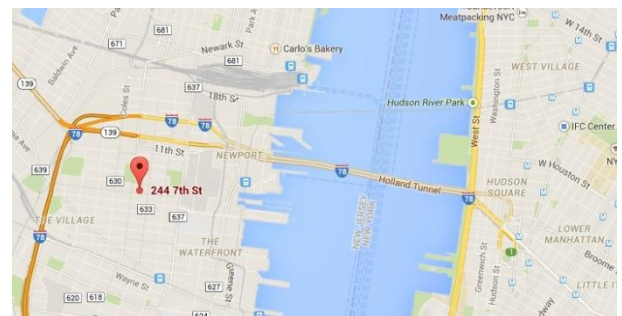
Est. Monthly Rents:
- Apt 1 US \$7,500

Est. Annual Net Yield: 4.0%

OTHER COMMENTS:

- This classic brick Downtown Jersey City row house boasts many exclusive features including pocket doors, fireplace mantles, crown moulding, and rooftop with sun kitchen. This house has significant potential and is just minutes from the Newport Mall and PATH station, providing easy access to Manhattan.

LOCATION:



ADDRESS: 57 71ST AVENUE, QUEENS, NY

REGION: FOREST HILLS



PROPERTY DESCRIPTION:

- 1-family attached on 1 side
- Apt 1: 4 bed/3.5 bath
- 2 car parking
- Approximate land size 3,000 sq ft
- Walk Score®: 98
- Transit Score®: 99

KEY STATISTICS:

Acquisition Date: 30 October 2014

Total Acquisition Cost: US \$1,559,596

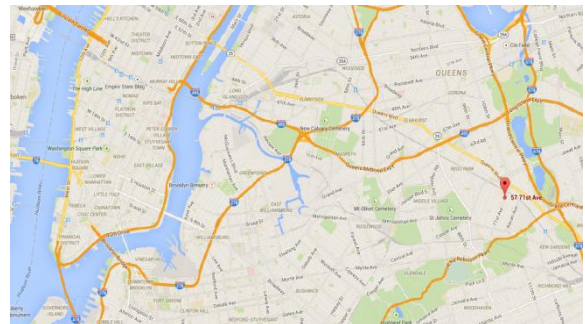
Est. Monthly Rents:
- Apt 1 US \$8,495

Est. Annual Net Yield: 4.0%

OTHER COMMENTS:

- This quaint single family brick home was purchased in good condition, needing only minor upgrades to bring to area standard. Property also features driveway and garage parking, and is located just 2 blocks from the Forest Hills LIRR train station, providing access to Manhattan in under 20 minutes.

LOCATION:



ADDRESS: 101 MACON STREET, BROOKLYN, NY

REGION: BEDFORD-STUYVESANT



PROPERTY DESCRIPTION:

- 2-family attached
- Apt 1 : 1 bed/1 bath
- Apt 2: 4 bed/4 bath
- Approximate land size 2,000 sq ft
- Walk Score®: 98
- Transit Score®: 98

KEY STATISTICS:

Acquisition Date: 31 October 2014

Total Acquisition Cost: US \$1,539,041

Est. Monthly Rents:

- Apt 1	US \$2,495
- Apt 2	US \$8,995

Est. Annual Net Yield: 4.0%

OTHER COMMENTS:

- Beautiful brownstone on a picturesque tree lined street. This 20' wide four story townhome boasts many original details such as pocket doors, fireplace mantles, pocket shutters, high ceilings and attractive woodwork. Located just blocks from the AC subway line, which provides easy access to Manhattan in less than a half hour.

LOCATION:

