



QUARTERLY UPDATE

October – December 2015



US Masters
Residential
Property Fund

Executive Summary

US Masters Residential Property Fund (URF or Fund) is pleased to provide the final quarterly update for 2015, with information from the quarter ended 31 December 2015. While traditionally a period of decreased activity, warmer than average weather allowed continued productivity across acquisitions, renovations and leasing/renewals.

Despite an expected decrease in inventory, a total of 161 potential acquisitions were reviewed, ending with US\$13.6 million being invested into ten properties, two in New York and eight in New Jersey. A majority of New Jersey acquisitions were located in downtown Jersey City, an area earmarked by the Fund's Acquisition Team as amongst the most desirable in terms of housing stock, rental growth and capital appreciation.

An investment of US\$14.6 million during Q4 solidified the completion of 35 renovations to end the year. Sixteen of these were large-scale, including three "flagship homes" designed to break neighbourhood rent records while showcasing the talent and initiative of the Fund's Renovation and Restoration Team. Large-scale renovations are anticipated to provide annualised rental income of US\$1.6 million, while small-scale renovations will provide an additional US\$600,000 over the coming year.

The Leasing Team kept pace, successfully leasing 58 properties during the quarter for a total annualised rent of US\$2.2 million. This figure was bolstered by an average rental increase of 20% for properties that changed tenants—a testament to the Fund's proven strategy of identifying neighbourhoods with rapid growth potential. Similarly, income from renewed leases grew by 7%, and is expected to contribute an additional US\$1.7 million in annualised rental income.

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With success comes recognition

While the financials alone signal a bright future for the Fund and unit holders, they only tell part of the story. Word of mouth regarding the Fund's high-quality properties continues to spread. Partner brokers report their clients continue to rave about Fund-owned homes, and renters who see one of our houses often won't look at other alternatives. There is simply no comparison in the market that rivals the quality, consistency and reputation of the US Masters Residential Property Fund.

We look forward to updating unit holders on our progress in the coming year. As always, we thank you for your continued support.



Alan Dixon

Managing Director and CEO

Quarter Highlights

- URF's high-quality property portfolio now comprises **1,950 housing units** across 565 freestanding houses and 26 apartment buildings.
- **16 large-scale renovations and 19 small-scale renovations** completed in Q4 are expected to add a combined US\$2.2 million to annual rental income.
- The Leasing Team signed **58 new leases** and renewed 104 leases (average rent increase of 7%) during the quarter.
- The Fund's **fourth acquisition in Hampton Court Terrace** presents a unique opportunity to preserve one of Jersey City's most noted examples of architectural history.



Quarterly Operational Overview



Acquisition

The Thanksgiving, Christmas and New Year periods are typically slow in terms of new property listings. As a result, the number of properties evaluated by the Acquisitions Team was inevitably lower than in previous quarters. In Q4, a total of 135 properties were rejected, 26 properties were bid on and 10 properties were acquired. A majority of recently acquired properties are located in downtown Jersey City, a neighbourhood which the team continues to view as one of the most desirable in terms of housing stock, rental growth and capital appreciation. Two properties were purchased in New York, and eight in New Jersey, for a combined total of US\$13.6 million.



Recently acquired
32 West 119th Street, Harlem



Renovation and Restoration

It has been an exciting quarter for the Fund's Renovation and Restoration Team. They continued to build upon the Fund's portfolio through completion of 35 unique renovations. Of these, 16 were large-scale projects including three special "flagship" townhomes—one in Harlem, Manhattan, another in Crown Heights, Brooklyn, and the final in Cobble Hill, Brooklyn. Large-scale renovations are collectively anticipated to deliver the Fund a combined annual rental income of US\$1.6 million.

Beyond the large-scale renovations, the team completed an additional 19 small-scale renovations. These projects' rental contributions are anticipated to provide the Fund with US\$600,000 in rental income annually.

In total, the Fund invested US\$14.6 million during Q4, adding luxurious amenities like a double-height loft, a three-story window wall, a soaring poured concrete fireplace, and a rooftop penthouse. These premium additions not only showcase the talent and initiative of the team, they ensure the highest possible rents within each respective neighbourhood where the Fund invests.



Recently renovated
137 Mercer St., Jersey City

Tenancy

The Leasing Team kept the heat on in Q4, successfully leasing 58 properties for a total annualised rent of US\$2.2 million. This figure was bolstered by an average rental increase of 20% for changing tenants, and a little over US\$1.2 million for completed construction projects entering the market for the first time. Additionally, the team renewed 104 tenant leases, adding total annualised rent of US\$1.65 million and marking a 7% increase over previous recorded rents.

Notably, the Leasing Team signed a lease with a popular news anchor in Brooklyn. Similarly, a successful lease for 136 Erie Street, Jersey City, encouraged another renter to apply for 22 W. Hamilton Place. Knowledge that the best properties available in their preferred area were owned by the Fund, coupled with fear of missing out a second time, were the catalysts for this speedy turnaround.



Recently leased
22 W. Hamilton St., Jersey City



Recently leased
266 Clermont Ave., Brooklyn



Recently leased
9014 New York Ave., North Bergen

Case Studies



Renovation and Restoration

151 Coles, a charming three-story brownstone in downtown Jersey City, was in a general state of disrepair at the time of purchase. Given that many original architectural features remained intact, the Renovation and Restoration Team initiated an extensive renovation designed to enhance the historic character of the home while updating it to appeal to modern 21st-century standards. Decorative elements such as the original staircase, plaster ceiling, trim details and ornate marble mantels were meticulously restored, while the kitchen and bathrooms were completely redesigned and updated. The resulting space exudes a perfect balance of classic elegance and modern sophistication, an attractive combination in today's rental market. To complete the renovation, front and rear façades also received an extensive makeover to ensure this home's curb appeal would match the quality of interior work. Leased prior to construction completion, 151 Coles has been a success story for both the team and the Fund, and is currently occupied for US\$5,545 a month.

151 COLES STREET, JERSEY CITY

Acquisition Date: 12 May 2014

Total Acquisition Cost: US\$914,741 (including fees and costs)

Monthly Rent: US\$5,545

Single-family attached on one side

3 bed / 2 bath

Net Square Footage: 1,426 square feet



BEFORE Recently restored
151 Coles St., Jersey City



AFTER Recently restored
151 Coles St., Jersey City





Acquisition

In downtown Jersey City, there is a row of seven Victorian era townhouses known collectively as Hampton Court Terrace. The townhouses, which have independent numbering from the rest of the street, were built in the late 1880s in Queen Anne style with decorative ceramic tiles, peaked gables, slanted mansard, mechanically-routed patterns in the stonework and cast-iron balustrades. In December, the Fund secured the fourth of seven of these unique Hampton Court townhouses. The property is configured as a three-family home, and was delivered fully tenanted. Residents enjoy close proximity to Van Vorst Park along with various shopping and dining options on nearby Grove Street. This acquisition not only provides an opportunity to preserve a portion of Jersey City's most noted examples of architectural history, but also a significant rent increase following a full renovation.

5 HAMPTON COURT TERRACE, JERSEY CITY

Acquisition Date: 22 December 2015

Total Acquisition Cost: US\$1,549,137 (including fees and costs)

Proposed Monthly Rent: US\$5,285

Three-family attached

4 bed / 3 bath

Net Square Footage: 2,450 square feet



Recently acquired 5 Hampton Court Terrace, Jersey City



Tenancy

When the Fund purchased 268 Barrow Street two years ago, it was a four-family, partially occupied brownstone. The house is in a great location just a few blocks away from the Grove Street PATH train and directly facing historic Van Vorst Park, but the units themselves hadn't evolved like the area in which this property is located. Each unit had different flooring, appliances and finishes, some very old. In others, it was apparent that previous owners had attempted to make improvements. In either case, there was little cohesiveness between units (or even floors) within this home. The Renovation and Restoration Team decided to transform this uncoordinated multi-family brownstone into a 5-bed, 5.5-bath single-family dwelling that flowed gracefully from one floor to the next and incorporated a new patio, yard and deck. A complete façade restoration outside, and the addition of modern finishes and updated functionality inside allowed the Fund to secure a rent of \$8,990 per month.

268 BARROW STREET, JERSEY CITY

Acquisition Date: 23 April 2013

Total Acquisition Cost: US\$1,126,241 (including fees & costs)

Actual Monthly Rent: US\$8,990

Single family attached

5 bed / 5 full and 2 half bath

Net Square Footage: 2,795 square feet



Recently leased 268 Barrow St., Jersey City



Portfolio Analysis

- The Fund currently owns 565 freestanding homes and 26 multi-family properties.
- During Q4 2015, the Fund completed \$US14.6 million worth of renovation work on its freestanding homes.
- The Fund currently has 94 properties in the pipeline for renovation, expected to contribute a further US\$11.4 million per annum of rental revenue.
- The Fund sold the multi-family building located at 75 MacDonough, Bed-Stuy, Brooklyn, for US\$4.2 million, a favourable increase over the June 2014 purchase price of US\$3.1 million.

FREESTANDING PORTFOLIO

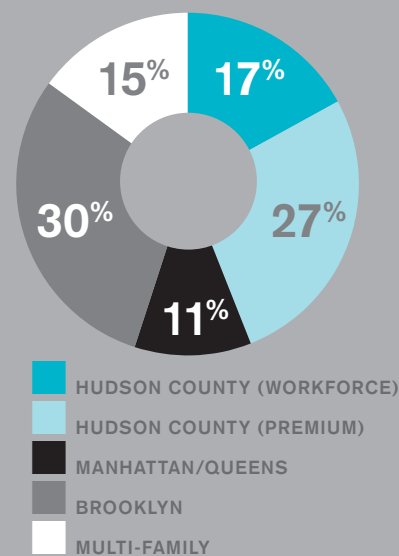
AREA	PROPERTIES	VALUE (US\$)
Brooklyn	94	220.3 million
Manhattan	19	66.7 million
Hudson Premium	125	199.0 million
Hudson Workforce	319	120.2 million
Queens	8	12.3 million

MULTI-FAMILY PORTFOLIO

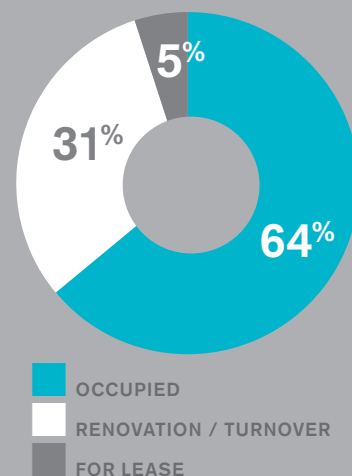
JOINT VENTURE ENTITY	UNITS	VALUE (US\$)
Golden Peak II, LLC	400	31.0 million
Hudson Gardens, LLC	129	12.8 million
Gold Coast Equities, LLC	198	18.7 million
DXEX I	70	15.3 million
DXEX III	124	28.9 million

The Fund is in the process of finalising a property portfolio valuation exercise. Accordingly, the "distribution" and "status by value" figures quoted as of 31 December 2015 (both freestanding and multi-family) do not take into account fair value movements for the second half of 2015. Any resulting fair value movements that arise from the portfolio valuation will be reflected in the Fund's annual financial report and in subsequent monthly and quarterly updates.

PROPERTY DISTRIBUTION BY VALUE



PROPERTY STATUS BY VALUE



Quarterly Closed Properties

ADDRESS	REGION	PROPERTY DESCRIPTION	APPROX. SQ FT	ACQUISITION DATE	TOTAL ACQUISITION COST (US\$)	EST. ANNUAL NET YIELD
206 8th Street, Jersey City, NJ 07302	Downtown	3-family attached Apt 1: 2 bed/1 bath Apt 2: 0 bed/1 bath Apt 3: 0 bed/1 bath	2700	22-Dec-15	\$1,244,840	4.0
32 West 119th Street, Manhattan, NY 10026	Harlem	3-family attached Apt 1: 3 bed/1.5 bath Apt 2: 1 bed/1 bath Apt 3: 1 bed/1 bath	3300	22-Dec-15	\$2,143,387	4.0
13 Coles Street, Jersey City, NJ 07302	Downtown	3-family attached Apt 1: 1 bed/1 bath Apt 2: 1 bed/1 bath Apt 3: 1 bed/1 bath	2380	1-Oct-15	\$1,006,088	4.1
84 Essex Street, Jersey City, NJ 07302	Downtown	3-family attached Apt 1: 2 bed/1 bath Apt 2: 3 bed/1.5 bath Apt 3: 3 bed/1 bath	3756	4-Nov-15	\$2,322,909	4.0
16 West Hamilton Place, Jersey City, NJ 07302	Downtown	2-family attached Apt 1: 1 bed/1 bath Apt 2: 3 bed/2 bath	2215	7-Oct-15	\$1,523,205	4.0
5 Hampton Court Terrace, Jersey City, NJ 07302	Downtown	3-family attached Apt 1: 1 bed/1 bath Apt 2: 1 bed/1 bath Apt 3: 2 bed/1 bath	2450	22-Dec-15	\$1,547,737	4.0
80 Hancock Ave, Jersey City, NJ 07307	Jersey City Heights	4-family attached Apt 1: 1 bed/1 bath Apt 2: 1 bed/1 bath Apt 3: 1 bed/1 bath Apt 4: 1 bed/1 bath	2500	13-Nov-15	\$570,623	4.1
255 Manhattan Avenue, Brooklyn, NY 11211	East Williamsburg	1-family attached Apt 1: 4 bed/2 bath	2520	3-Dec-15	\$1,510,499	5.0
29 Prospect Street, Jersey City, NJ 07307	Jersey City Heights	1-family detached Apt 1: 2 bed/2 bath	1728	30-Dec-15	\$211,861	4.8
295 Varick Street, Jersey City, NJ 07302	Downtown	3-family attached Apt 1: 2 bed/1 bath Apt 2: 1 bed/1 bath Apt 3: 1 bed/1 bath	3500	20-Nov-15	\$1,472,467	4.1



New Leases

ADDRESS	STATE	UNIT	BED/BATH	MOVE IN DATE	PREVIOUS RENT (US\$)	PRICE (US\$)	SQ. FT.
232.5 3rd St.	NJ	1	1/1	11/1/15	\$1,545	\$2,295	510
176 N. 6th St.	NY	2	1/1	12/1/15	\$1,500	\$1,600	593
89 W. 6th St.	NJ	SF	4/2	11/1/15	\$2,095	\$2,300	2072
45 W. 18th St.	NJ	2	2/1	12/4/15	\$1,425	\$1,545	636
45 W. 18th St.	NJ	4	2/1	1/1/16	\$1,195	\$1,345	636
154 W. 29th St.	NJ	1	2/1	12/4/15	\$1,192	\$1,695	677
12-14 W. 31st St.	NJ	2	2/1	11/1/15	\$1,395	\$1,595	1271
1320 44th St.	NJ	1	3/2	1/1/16	\$917	\$2,280	1273
226 57th St.	NJ	1	1/1.5	11/1/15	\$762	\$1,495	603
404 77th St.	NJ	SF	3/3	11/15/15	\$2,165	\$2,595	1892
212 8th St.	NJ	1	2/1	12/1/15	\$-	\$1,600	1612
243 8th St.	NJ	3	2/1	12/1/15	\$2,195	\$2,695	1092
266 Barrow St.	NJ	1	2/2	1/1/16	\$4,194	\$4,495	1521
268 Barrow St.	NJ	SF	5/5.5	12/1/15	\$-	\$8,990	2812
152 Bentley Ave.	NJ	1	2/2	12/1/15	\$1,040	\$1,295	784
9 Bidwell Ave.	NJ	1	3/1	1/1/16	\$895	\$1,395	862
84 Bowers St.	NJ	SF	3/3.5	11/1/15	\$3,295	\$4,162	1825
156 Boyd Ave.	NJ	1	1/1	12/4/15	\$1,295	\$1,395	717
36 Briarwood Rd.	NJ	1	2/1	12/21/15	\$1,435	\$1,595	836
130 Charles St.	NJ	1	1+den/1	1/1/16	\$1,795	\$1,695	798
126 Chestnut Ave.	NJ	2	1/1	12/21/15	\$1,095	\$1,395	793
104 Clendenny Ave.	NJ	1	1+den/1	1/1/16	\$1,035	\$1,195	614
98 Clendenny Ave.	NJ	2	2/1	1/1/16	\$995	\$1,395	735
266 Clermont Ave.	NY	SF	4/4/2HB	11/20/15	\$-	\$13,495	2636
208 Clinton Ave.	NJ	1	3/1	1/15/16	\$1,290	\$1,495	1077
151 Coles St.	NJ	SF	3/2	10/15/15	\$-	\$5,745	1428
1012 Columbia Ave.	NJ	SF	4/3	2/1/16	\$-	\$2,595	1548
350 Danforth Ave.	NJ	2	2/1	11/15/15	\$900	\$1,295	617
136 Erie St.	NJ	SF	5/5.5	1/1/16	\$-	\$7,235	3015
36 Erie St.	NJ	SF	4/3	11/1/15	\$-	\$6,745	2155
203 Freeman Ave.	NJ	2	2/1	12/1/15	\$1,020	\$1,295	633
283 Grant Ave.	NJ	2	3/2	11/1/15	\$1,425	\$1,695	1252
103 Greene Ave.	NY	1	2/1	10/15/15	\$-	\$2,995	652



ADDRESS	STATE	UNIT	BED/BATH	MOVE IN DATE	PREVIOUS RENT (US\$)	PRICE (US\$)	SQ. FT.
103 Greene Ave.	NY	2	4/2.5	11/1/15	\$-	\$8,200	2203
22 W. Hamilton Pl.	NJ	SF	4/3	1/1/16	\$-	\$6,985	1973
656 Jersey Ave.	NJ	SF	3/2.5	10/15/15	\$-	\$5,300	1715
3709 Kennedy Blvd.	NJ	2	2/1	11/15/15	\$1,245	\$1,495	711
441 Mallory Ave.	NJ	SF	2/1	12/1/15	\$1,195	\$1,795	1075
16 Marion Pl.	NJ	1	1/1	11/20/15	\$1,395	\$1,295	560
137 Mercer St.	NJ	SF	5/5.5	11/1/15	\$7,265	\$8,214	3698
406 Monroe St.	NY	4	3/1	11/1/15	\$1,995	\$2,290	616
237 Montgomery St.	NJ	1	4/4.5	11/15/15	\$-	\$7,865	3392
244 Montgomery St.	NJ	1	5/3.5	11/18/15	\$-	\$6,645	3190
9014 New York Ave.	NJ	SF	3/1.5	12/1/15	\$2,295	\$2,595	2055
285 Old Bergen Rd.	NJ	3	2+den/1	1/15/16	\$895	\$1,295	773
130 Orient Ave.	NJ	2	2/1	12/11/15	\$1,095	\$1,295	1008
298 Pearsall Ave.	NJ	1	2/1	12/15/15	\$1,195	\$1,195	570
35 Rose Ave.	NJ	1	3/1	10/15/15	\$1,415	\$1,095	858
36 Rutland Rd.	NY	SF	6/4.5	10/5/15	\$-	\$8,721	3400
15 Skyline Dr.	NJ	2	3/1	11/15/15	\$1,295	\$1,400	871
623 St Marks Ave.	NY	SF	5/4/2HB	3/1/15	\$-	\$8,989	3033
203 Virginia Ave.	NJ	2	3/1	10/15/15	\$1,270	\$1,395	973
285 Virginia Ave.	NJ	1	3/1	1/1/16	\$1,295	\$1,545	824
185 Wegman Pkwy.	NJ	1	3/1	11/1/15	\$1,050	\$1,195	931
339 Whiton St.	NJ	1	1/1	11/1/15	\$1,235	\$1,295	655
339 Whiton St.	NJ	2	1/1	11/23/15	\$1,245	\$1,695.	612
339 Whiton St.	NJ	3	1/1	11/1/15	\$1,195	\$1,595	618
69 Williams Ave.	NJ	3	1/1	10/10/15	\$1,025	\$1,095	497

URF Fund Statistics

Market Capitalisation	AUD\$585 million
Net Debt	AUD\$494 million
Enterprise Value	AUD\$927 million
Holdings	
Freestanding	565
Multi-family	26
Total Units	1950
Properties Under Construction	94
Units Leased	801

* Post-construction

URF Share Prices¹ JANUARY 2015 – 10 JANUARY 2016



Important Information

This Quarterly Update (Update) has been prepared by Walsh & Company Investments Limited as the Responsible Entity for the US Masters Residential Property Fund (Fund). An investment in the Fund is subject to various risks, many of which are beyond the control of the Responsible Entity.

This Update contains statements, opinions, projections, forecasts and other material (forward looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. None of the Responsible Entity, its officers, employees, agents, analysts nor any other person named in this Update makes any representation as to the accuracy or likelihood of fulfilment of the forward looking statements or any of the assumptions upon which they are based.

This Update may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs, and consider obtaining advice from a financial advisor. You should obtain a copy of the relevant product disclosure statement or offer document before making any decisions to purchase the product.

Sources

¹ URF Share Price data retrieved from <http://www.asx.com.au/asx/research/company.do#1/URF>

Board & Management

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