



QUARTERLY UPDATE

July - September 2020



US Masters
Residential
Property Fund

13 November 2020

Executive Summary

We welcome investors to the US Masters Residential Property Fund's (URF or Fund) Quarterly Report for the period 1 July 2020 to 30 September 2020.

Over the last quarter, COVID-19 restrictions in the New York metropolitan area eased with schools reopening and indoor dining restarting on a limited basis. These are seen as bellwethers of the virus' impact on the region, as well as being important factors in further opening the local economy. This reopening has not been without complication, and local infection rates increased towards the end of September. This increase is largely being managed by targeting "clusters" on a localised basis, rather than broad-based policies at this time. This is something that we will be monitoring closely as we move into the winter months.

Pleasingly, real estate transaction volumes recovered from COVID-19 associated lows throughout the quarter, with townhome activity strongly outperforming apartment activity. The Fund continued to execute its ongoing sales program, closing on the sale of US\$12.75 million in assets throughout the quarter, with a further US\$36.5 million under contract or with an accepted offer in place as at 30 September. These sales facilitated the repayment of a further US\$10.5 million in debt during Q3. Our team continues to work hard to move assets efficiently through the sales process, and we expect this rate of closed sales to increase as markets continue to reopen. The Fund's refinance of its senior loan facility with Wells Fargo is also progressing well and is expected to close prior to year-end.

Construction continued on the Fund's remaining renovation projects, with only two remaining under physical construction at the end of the quarter. Both of these projects are due to be completed in Q4, with the recently completed assets being offered for sale.

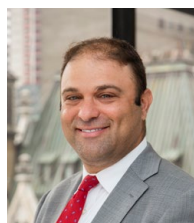
Rent collection rates continued to prove resilient, with 98% of rent roll being collected across the quarter. General and Administrative Expenses (G&A) continued to fall, with 2020 tracking at 62% of 2019's costs on an annualised basis, and well within our target for the full year. Funds from Operations (FFO) also continues to track positively compared to prior years, with the year-to-date (YTD) 2020 results equating to an improvement of over 50% compared to 2019 on an annualised basis despite the COVID-19 headwinds.

Currency had a negative impact on the Fund's asset values in Q3, with the AUD strengthening by 3.75% during the quarter. This reduced the Fund's asset values by A\$25 million in Australian dollar terms.

We invite you to review this quarterly report for a detailed update on the operations of the Fund. Please note that all results are preliminary and unaudited. We welcome investor feedback on these reporting metrics, and encourage direct communication with the Fund via our Investor Relations team at URFInvestorRelations@usmrpf.com.



Kevin McAvey
Co-Head of the US REIT



Brian Disler
Co-Head of the US REIT

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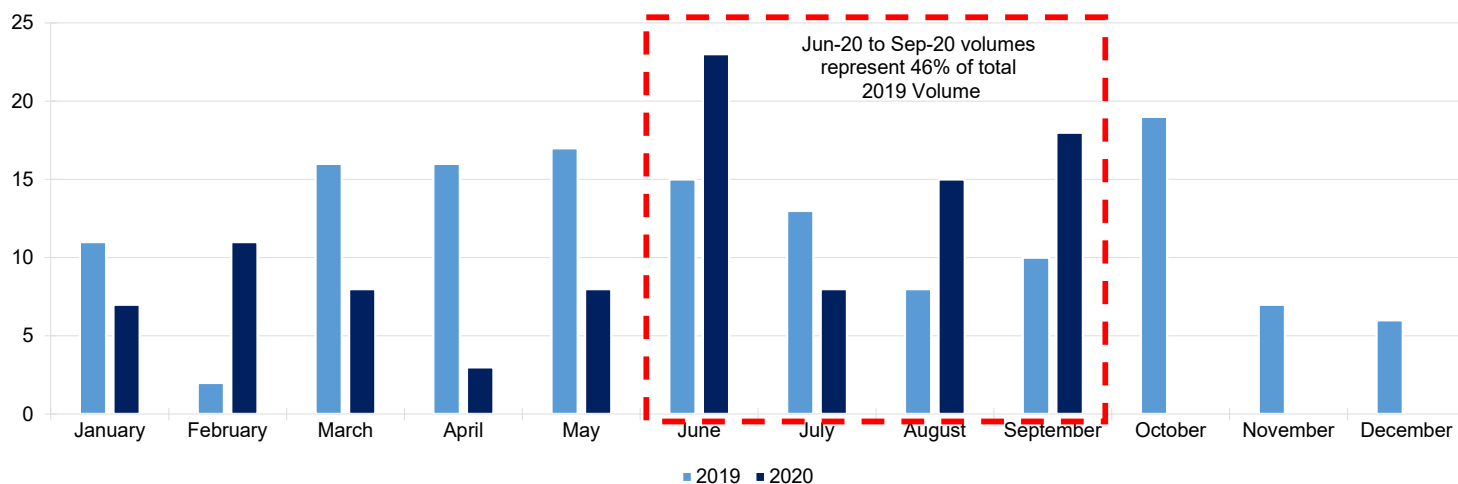
Asset Sales

Property markets in New Jersey & New York have reopened from the significant shutdown that was experienced in Q2 2020. As market activity has returned in Q3, the relative performance of townhomes in less-dense neighborhoods outside of Manhattan has been encouraging for the Fund's portfolio. Anecdotally, this has been driven by a shift in buyer preferences stemming from the COVID-19 pandemic, with buyers now prioritising properties offering private and outdoor spaces.

Over the quarter, the transactional activity in Brooklyn townhomes was strong when compared to demand for traditional condominium and co-op apartments. Specifically, September 2020 year-on-year signed contract volumes for single family townhomes in Brooklyn increased by 114%, which was significantly higher than both Brooklyn apartment volumes (co-op transactions were flat and condos up only 4.6%), and Manhattan apartments (which experienced a 33% reduction for co-ops and 51.6% reduction for condos)¹.

In New Jersey, although the state government imposed COVID-19 measures were not quite as restrictive as New York's, the premium areas in Hudson County still slowed considerably earlier this year with only three 1-4 family townhome contracts signed during the month of April. However, as real estate activity resumed in the month of June (roughly one month earlier than NY) there was a flood of activity and new contracts signed. In Hudson County Premium townhome markets, 64 new contracts were signed between the months of June and September 2020, matching nearly half (46%) of the total sales volume for the entire year of 2019².

of Signed Contracts - NJ Premium 1-4 Family Homes



Source: US REIT. Data obtained from the Hudson County Multiple Listing Service ("MLS"), as at 10/10/2020.

¹Source: Douglas Elliman – September 2020 New Signed Contracts New York

² Data obtained from Hudson County MLS as at 10/10/20.

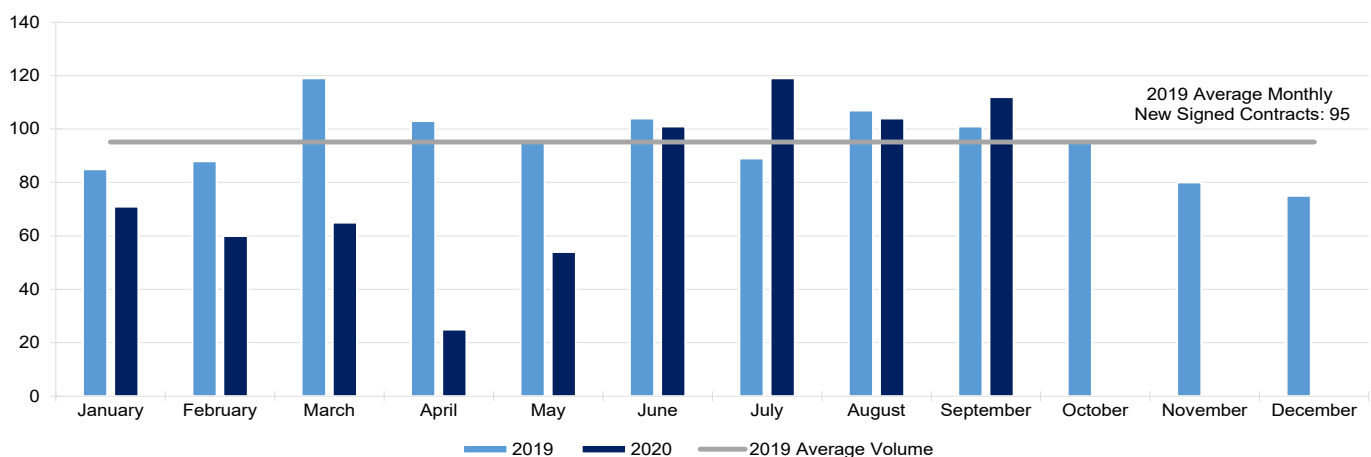


Asset Sales

Strong post-COVID demand is also evident in the signed contract data for Hudson County Workforce properties. During the peak pandemic months these markets, although still slowed, maintained a higher number of total transactions going under contract (65 contracts in March, 25 in April, 54 in May) than the Hudson County Premium markets, and – upon markets reopening in June – signed contract volume has returned to the relatively consistent levels that it maintained throughout 2019.

For the months from June to September 2020, signed contract volume for 1-4 family properties in Workforce neighborhoods increased 9% compared to the same period in 2019, with each of the four months individually exceeding the 2019 average monthly volume.

of Signed Contracts - NJ Workforce 1-4 Family Homes



Source: US REIT. Data obtained from the Hudson County Multiple Listing Service ("MLS"), as at 10/10/2020.

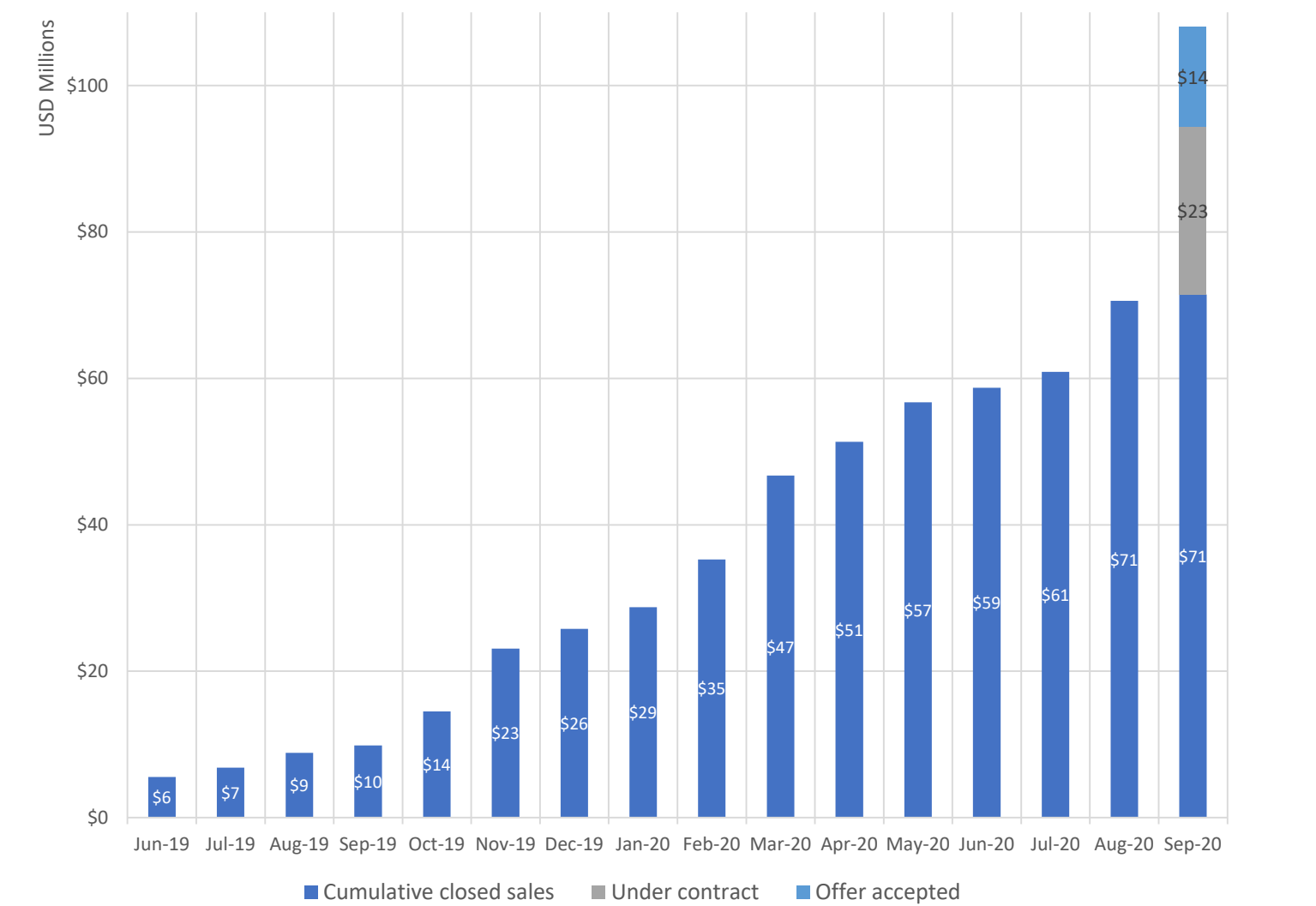
Due to the time that it takes for a typical transaction to close, many of these signed contracts have not yet translated into closed sales (at which point contract price data can be accurately considered).



Asset Sales

URF Q3 Disposals

During Q3 the Fund successfully closed US\$12.75m in sales across nine transactions. At 30 September 2020, the Fund also had 20 properties worth US\$36.5 million under contract or with an accepted offer in place. Of these, seven sales totaling US\$10.96 million closed in October.



Source: US REIT

Debt Reduction

The Fund continues to execute its stated goal of reducing debt levels across the portfolio. The rate of debt repayment was consistent with Q2 2020, with lower sales activity following the worst of the COVID-19 period reducing the proceeds available for proactive debt repayment, as well as the Fund's strategic decision to maintain liquid cash reserves due to COVID-19 related uncertainty (at 30 September 2020 the Fund held cash and cash equivalents of A\$48 million). As sales activity continues to normalise and the increased volume of signed contracts are closed, we expect this repayment rate to increase from current levels.

Over the course of Q3 2020 the Fund's senior debt facilities with Wells Fargo and Centennial Bank were reduced by over US\$10 million, with the majority of this repayment being from the Wells Fargo facility. The Wells Fargo facility is currently within its repayment period, with all proceeds from asset sales from their collateral pool now being repaid to the bank.

The Fund is in the process of refinancing the Wells Fargo debt facility. As a part of this process, the Fund is well progressed in negotiating loan terms and satisfying financier due diligence requests. Based upon the status of negotiations to date, it is expected that the Wells Fargo debt facility will be refinanced before the end of 2020.

AUD Denominated Debt (AUD)	30-Jun-20	30-Sep-20	Change
URF Notes III (ASX: URFHC)	\$157,500,000	\$157,500,000	-
Total	\$157,500,000	\$157,500,000	-

USD Denominated Debt (USD)	30-Jun-20	30-Sep-20	Change
Wells Fargo	\$256,856,222	\$246,549,287	(\$10,306,935)
Centennial Bank	\$69,825,717	\$69,654,741	(\$170,976)
Total	\$326,681,939	\$316,204,028	(\$10,477,911)

Source: US REIT

The ultimate goal of this deleveraging process is to improve the Fund's cash flow, reduce Net Asset Value (NAV) volatility, and decrease the Fund's exposure to movements in the AUD/USD exchange rate.

Debt Reduction

Blended Cost of Interest Calculation

	A\$ Balance at 31-Mar-20	Interest Rate at 31-Mar-20	A\$ Balance at 30-Jun-20	Interest Rate at 30-Jun-20	A\$ Balance at 30-Sep-20	Interest Rate at 30-Sep-20	Fixed / Floating
Wells Fargo *	428,096,921	2.79%	372,093,615	1.96%	344,246,422	1.95%	Floating
Centennial Bank *	123,178,396	5.50%	101,152,712	5.50%	97,255,991	5.50%	Floating
Notes III	157,500,000	7.75%	157,500,000	7.75%	157,500,000	7.75%	Fixed
Total ^	708,775,317	4.36%	630,746,327	3.97%	599,002,413	4.05%	

Indicative Interest Cost	30,937,295	25,071,056	24,262,110
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Source: US REIT

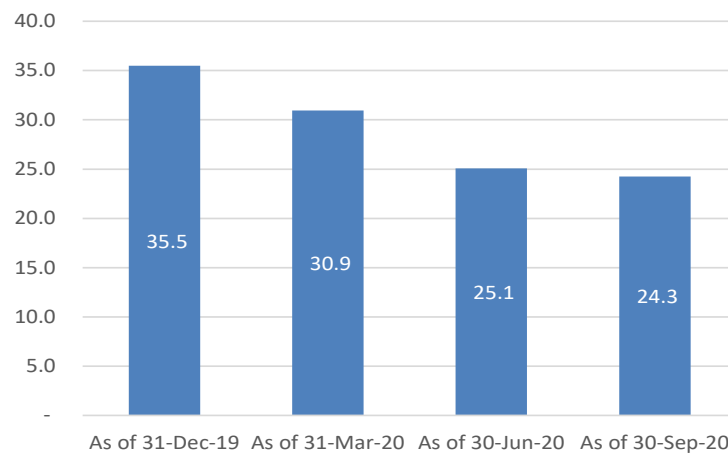
*Floating rate based on 1 month USD LIBOR which was approximately 0.99%, 0.16% and 0.15% at 31 March 2020, 30 June 2020 and 30 September 2020 respectively.

*The Centennial Bank facility is subject to a LIBOR floor of 1.0%.

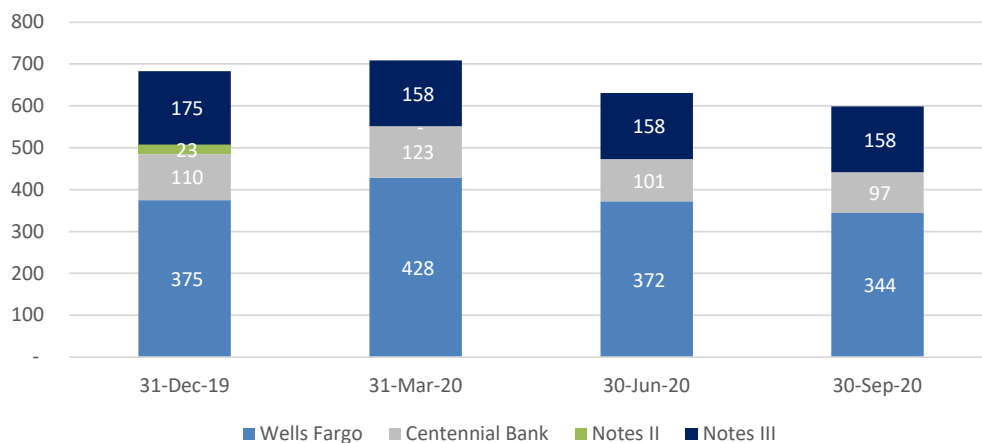
*AUD/USD spot rate of 0.6131, 0.6903 and 0.7162 at 31 March 2020, 30 June 2020 and 30 September 2020 respectively.

*Excludes multi-family joint venture level debt.

Indicative Total Interest Cost (A\$Millions)



Debt Composition (A\$Millions)





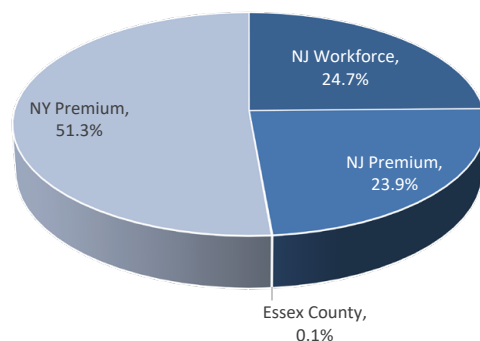
Portfolio Composition

The Fund's intention is to use the ongoing sales program to reduce the portfolio's current weighting of lower-yielding Premium assets and also to divest non-core exposures. Non-core exposures include the larger multifamily (joint venture) assets and the Fund's small number of rent-regulated properties in New Jersey. Selective sales will also take place from the NJ Workforce segment as determined on an asset-by-asset basis.

The Fund's portfolio composition will evolve over time, with the pipeline of pending sales transactions (those under contract or with an accepted offer in place) as at 30 September 2020 being weighted towards the Premium segments in New York (US\$20 million) and New Jersey (US\$12.4 million). New Jersey Workforce properties account for the remaining US\$4.2 million in pending sales.

This breakdown represents the Fund's 1-4 family portfolio as at 30 September 2020 but excludes the multifamily joint venture assets with Urban American.

Portfolio Composition (by value)



The table below outlines the Fund's 1-4 family portfolio as at 30 September 2020. The valuations shown are based on the valuation process outlined as part of the 30 June 2020 accounts, adjusted for asset sales and capitalised expenses throughout the quarter.

Location	Value (USD)	Property Count	Location	Value (USD)	Property Count
NJ Workforce	\$181,252,593	320	NY Premium	\$376,385,487	129
Bayonne	\$33,185,105	62	Bedford-Stuyvesant	\$98,110,303	41
Bergen-Lafayette	\$7,142,520	12	Boerum Hill & Brooklyn Heights	\$18,881,257	3
Greenville	\$31,191,966	70	Bushwick	\$17,458,955	14
Jersey City Heights	\$54,247,648	67	Clinton Hill	\$16,587,472	5
Journal Square	\$17,926,124	28	Cobble Hill	\$11,448,525	3
West Bergen	\$28,079,267	61	Crown Heights & Lefferts Garden	\$35,379,820	15
North Bergen	\$4,492,786	10	Fort Greene	\$15,539,091	4
Union City & Secaucus	\$3,577,122	7	Park Slope & Prospect Heights	\$42,223,902	10
West New York	\$1,410,055	3	East Williamsburg	\$14,778,316	7
NJ Premium	\$175,019,759	92	Williamsburg	\$14,376,488	4
Hoboken	\$9,914,204	4	Hamilton Heights	\$11,657,506	3
Downtown Jersey City	\$155,231,305	80	Forest Hills	\$1,459,776	1
Weehawken	\$9,874,250	8	Harlem	\$61,942,954	17
Essex County	\$380,301	1	Manhattan	\$16,541,123	2

Source: US REIT





Rental Income Collections

As has been the case since the onset of the COVID-19 pandemic, the Fund continued to work collaboratively with tenants to maximise rent collections during Q3. In line with state government guidance, the Fund has not initiated any eviction actions through the pandemic. Tenants who have been financially impacted by COVID-19 have been encouraged to dialogue directly with the Fund, and resolutions have been handled on a case-by-case basis. Pleasingly, collection rates have proven resilient throughout the Quarter, equating to over 98% of the quarter’s occupied rent roll. The rent collected includes receipts for Q3, as well as outstanding payments for prior months.

For the month of October, the Fund’s 1-4 family portfolio collected funds equivalent to 98% of the month’s rent roll.

Month	Collection Rate %
July	100%
August	99%
September	97%

Peer Comparison

The Fund’s collection rates are ahead of The National Multifamily Housing Council (NMHC)’s Rent Payment Tracker, which tracks over 11 million professionally managed apartments across the US. The NMHC recorded collection rates of 96%, 94.5% and 95% for July, August and September respectively³. However, it is worth noting that the NMHC collections data tracks the number of tenants making any rent payment (full or partial payments are counted equally) rather than the actual amount of rent collected for the period.

Similar strong collection rates were recorded by comparable US single family residential property funds, further highlighting the relative resilience of this asset class. Invitation Homes noted collections of 98% of the Company’s historical average collection rate throughout Q3⁴. American Homes for Rent has also reported collection rates of 98% for Q3 2020⁵.

Source: US REIT

³ Source: <https://www.nmhc.org/research-insight/nmhc-rent-payment-tracker/>

⁴ Source: <https://www.invh.com/file/Index?KeyFile=405765959>

⁵ Source: [American Homes for Rent](#)

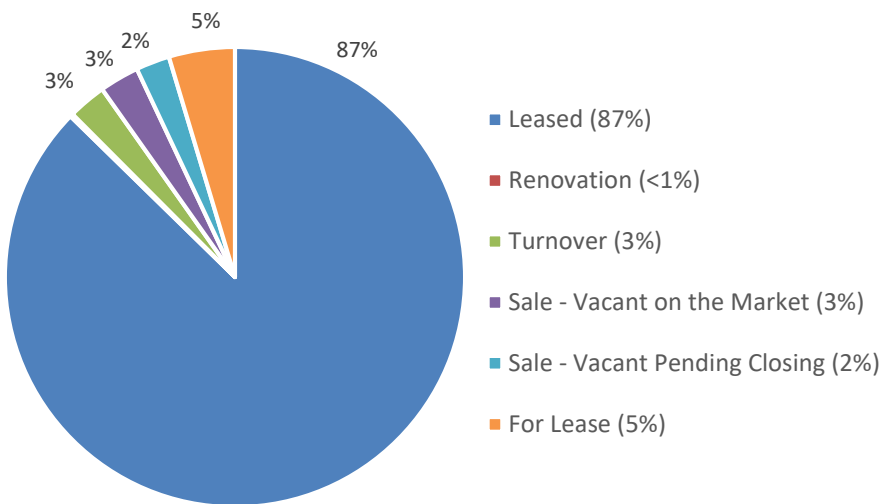
Portfolio Occupancy

The Fund's goal is to have as many properties fully leased as possible, while noting that as the Fund moves through its ongoing sales program certain assets in the sales pipeline will be intentionally left vacant in order to maximise the potential sales price.

At 30 September 2020, the Fund's 1-4 family portfolio had 87% of its units leased and generating income. A further 5% of units were vacant and available for rent, while the remaining 8% were vacant due to either renovation work, undergoing a turnover between leases, or due to the property being actively prepared for sale.

This data excludes the Fund's joint venture assets held with Urban American.

Total Portfolio	Unit Count	%
Leased	847	87.3%
Renovation	2	0.2%
Turnover	26	2.7%
Held for sale - on the market (vacant)	27	2.8%
Sale asset - pending closing (vacant)	23	2.4%
For Lease	45	4.6%
Total	970	100.0%



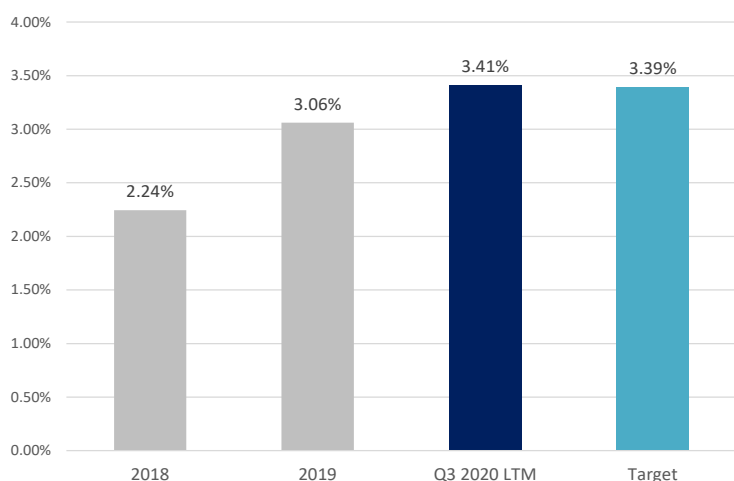
Source: US REIT

Net Operating Income

The Fund is focused on improving operations to ensure that the portfolio is being managed as efficiently as possible. Given that the Fund has embarked on a sales program, it is anticipated that total portfolio revenue will decrease as the sales program continues and the portfolio reduces in size. Despite gross revenue decreasing, operational efficiencies and rental growth should result in the Net Operating Income (NOI) yield continuing to improve over time, barring any changes to broader market conditions. The NOI yield is the net rental revenue that the Fund retains after paying property level expenses, expressed as a percentage of the portfolio value. Additionally, as the Fund continues to dispose of a higher proportion of lower-yielding assets as part of the sales program it will increase the overall portfolio weighting of the higher-yielding assets. This should also have a positive impact on the portfolio's NOI yield.

The "NOI Yield: Same Home Stabilised 1-4 Family Properties" chart below tracks the Fund's stabilised portfolio yield, with the Fund having a target of exceeding a 3.39% NOI yield. We are pleased to be exceeding this target with an NOI yield of 3.41% for the 12-month period ending 30 September 2020, although we note that the sustainability of this level of NOI yield will depend on continued positive traction with COVID-19. This improvement is largely a result of minimising property level expenses and disposing of lower-yielding assets through the sales process.

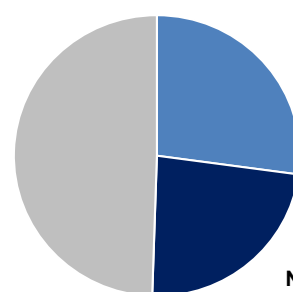
NOI Yield - Same-Home Stabilised 1-4 Family Properties



Note: Target has been increased proportionally by the Same-Home Stabilised assets fair value write-down for H1 2020

Q3 2020 LTM NOI Yield - Same-Home Stabilised 1-4 Family Properties by Segment

NY Premium
Net Yield: 2.8%
% of Total: 49%



NJ Workforce
Net Yield: 4.9%
% of Total: 27%

NJ Premium
Net Yield: 2.9%
% of Total: 23%

In this analysis, a group of assets (excluding assets held for sale or under construction at the end of 30 September 2020) is compared. Across all time periods the NOI (property revenue less expenses) is divided by the 30 September 2020 asset values. By holding the denominator consistent, changes in cash flow over time are isolated, rather than the NOI yield changing due to valuation changes. This analysis is useful for comparing NOI between different time periods, however individual NOI yields for specific years should not be reviewed in isolation using this data. Note that the group of assets being assessed will change each quarter, as properties are sold or move into the sales pipeline.

Source: US REIT.

Note: "Same-home" assets by segment will not match the total portfolio distribution, as it excludes assets held for sale or under construction.

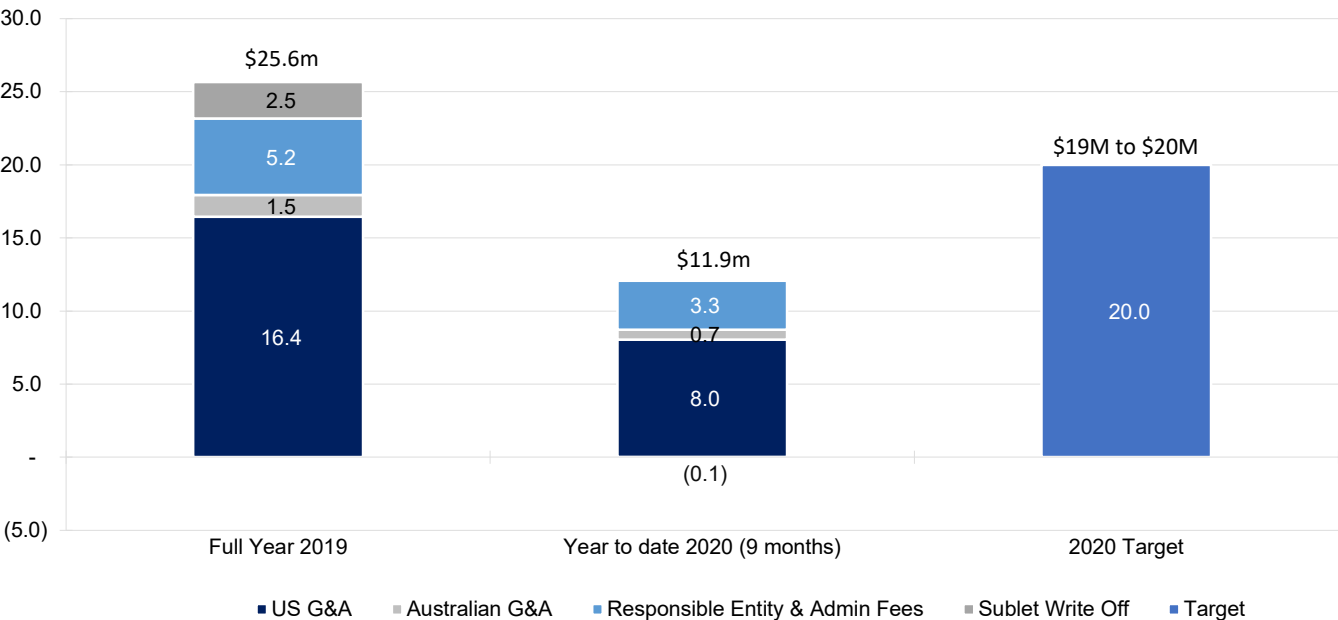


General and Administrative Expenses

Reducing General and Administrative (G&A) expenses is another key goal for the Fund's management team. The Fund has set a target of reducing these expenses from the A\$25.7 million incurred in 2019, to A\$19-\$20 million for 2020.

Q3 2020 saw continued progress in minimising these costs, with the Fund incurring A\$3.4 million in G&A expenses, down from A\$4.2 million in Q2 2020. For the full nine-month period to 30 September 2020, this resulted in total G&A expenses of A\$12 million. While we expect G&A levels to fluctuate from quarter to quarter due to the seasonality of certain expenses and the impact of foreign exchange movements for US-based outgoings, we are pleased that these results are tracking well within our stated annual target for 2020.

G&A Expenses (A\$Millions)



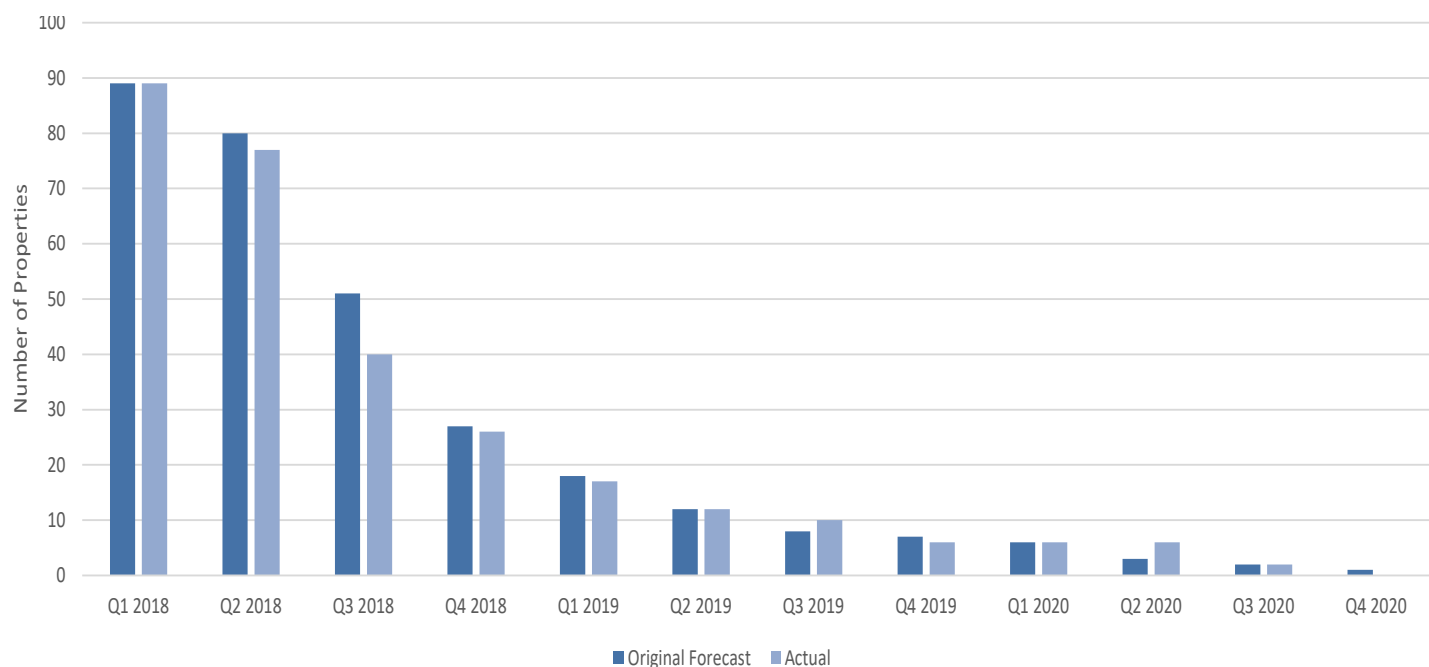
Source: US REIT.
Note: AUD/USD average rate of 0.6953 and 0.6773 for 2019 and YTD Q3 2020 respectively. Original target for 2020 was based on AUD/USD spot rate at 31 December 2019 of 0.7021.



Construction Pipeline

At the start of the quarter, the Fund had six properties remaining from the original construction pipeline. Four of the six remaining projects are physically complete, and these four projects have all been moved into the Fund's sales pipeline to be sold as newly renovated assets.

The final two active projects are approaching completion, and are expected to be completed before the end of the calendar year.



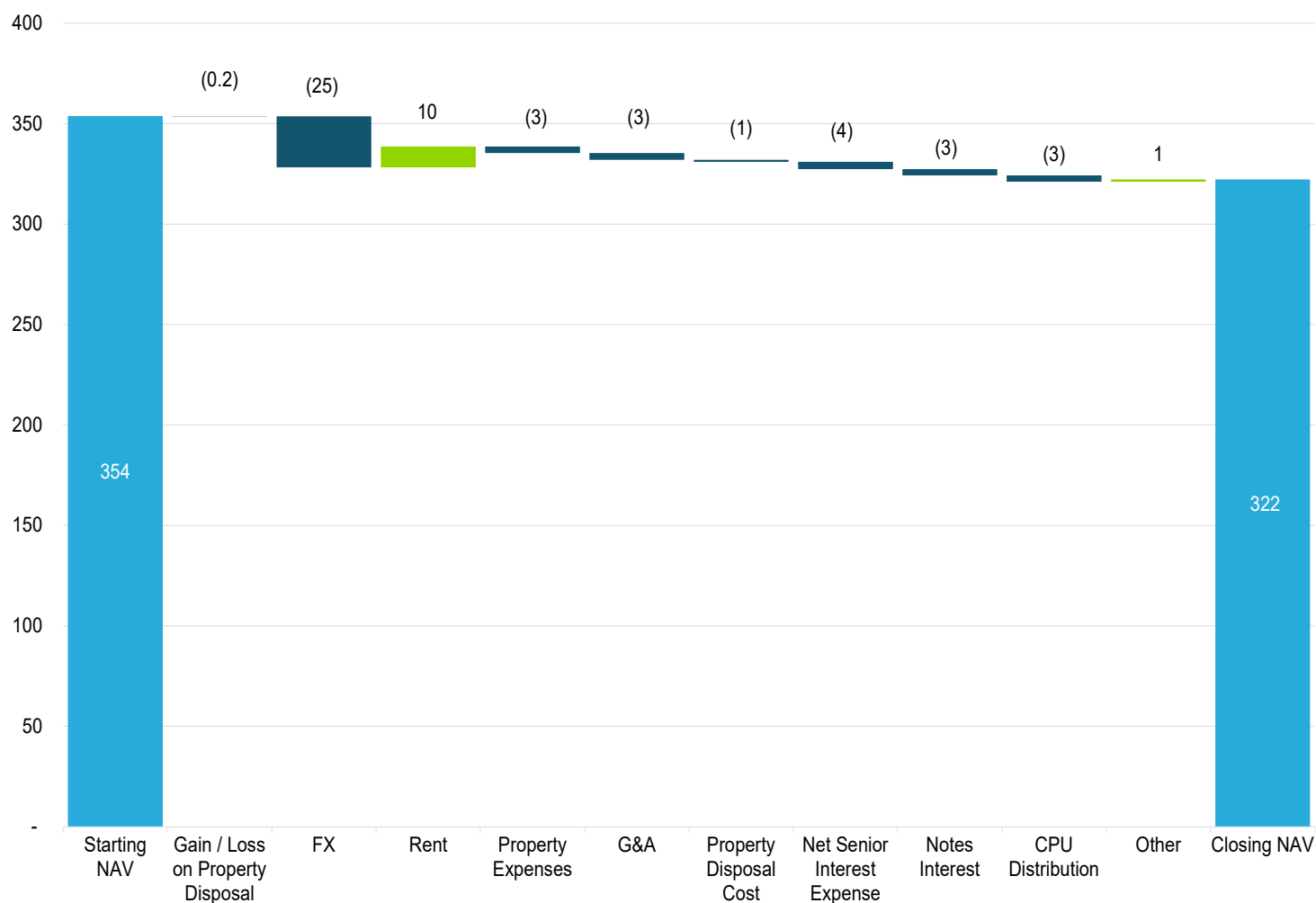
Source: US REIT

Net Asset Value

Changes in the Fund's Net Asset Value (NAV) over the period 30 June 2020 to 30 September 2020 are outlined below. At 30 September 2020, the unaudited pre-tax NAV was estimated to be A\$0.84 per unit (A\$0.75 post-tax).

The reduction in NAV over this period is primarily driven by the negative impact of foreign exchange movements. Over this period the AUD:USD rate increased from 0.6903 to 0.7162. As the Fund's assets are predominantly denominated in USD, this equated to an effective A\$25 million reduction in the value of the Fund's portfolio when calculated in Australian dollars.

NAV Bridge - 30 June 2020 to 30 September 2020 (A\$Millions)



Source: US REIT.

Note: AUD/USD spot rate of 0.6903 and 0.7162 as at 30 June 2020 and 30 September 2020 respectively.

Graph illustrates movements in the pre-tax NAV for the period 30 June 2020 to 30 September 2020.

Fund Cash Flow Profile

The following analysis outlines the Fund's major cash-flow drivers. This excludes non-cash items, such as depreciation, foreign exchange movements and changes in underlying asset values, as well as capitalised expenses and investor distributions. While these additional factors are vital to reviewing the Fund's overall financial performance, the following Funds from Operations (FFO) analysis provides an important overview of the Fund's cash flow position.

Historically, the Fund has made regular cash losses while it focused on growing and renovating its portfolio. In the past, asset value growth and favourable currency movements have typically outweighed the Fund's operational cash losses. However, it is management's goal to reposition the Fund to become cash flow positive from its operating activities, so that it is not reliant on such factors to generate a profit. This will be achieved by maximising net property-level income, paying down debt, minimising administrative expenses, and rebalancing the portfolio away from low-yielding assets.

Funds From Operations (FFO) - Pre Tax (A\$ Millions)	2018	2019	YTD Q3 2020
Revenue	38.1	49.7	35.5
One-Off Grant Income	-	-	1.8
Investment Property Expenses	(16.3)	(19.2)	(10.6)
Investment Property Disposal Costs	(3.6)	(4.3)	(3.6)
G & A	(25.1)	(22.2)	(11.9)
EBITDA	(6.9)	4.0	11.2
Net Interest Expenses (Excluding Notes Interest)	(20.5)	(21.2)	(11.9)
Notes Interest	(21.7)	(19.8)	(9.9)
Funds From Operations (FFO) - Pre Tax	(49.0)	(37.1)	(10.6)

Source: US REIT.

Note: Excludes Convertible Preference Unit (URFPA) distributions as they are equity distributions.

AUD/USD average rate of 0.7476, 0.6953 and 0.6773 for 2018, 2019 and YTD 2020 respectively.

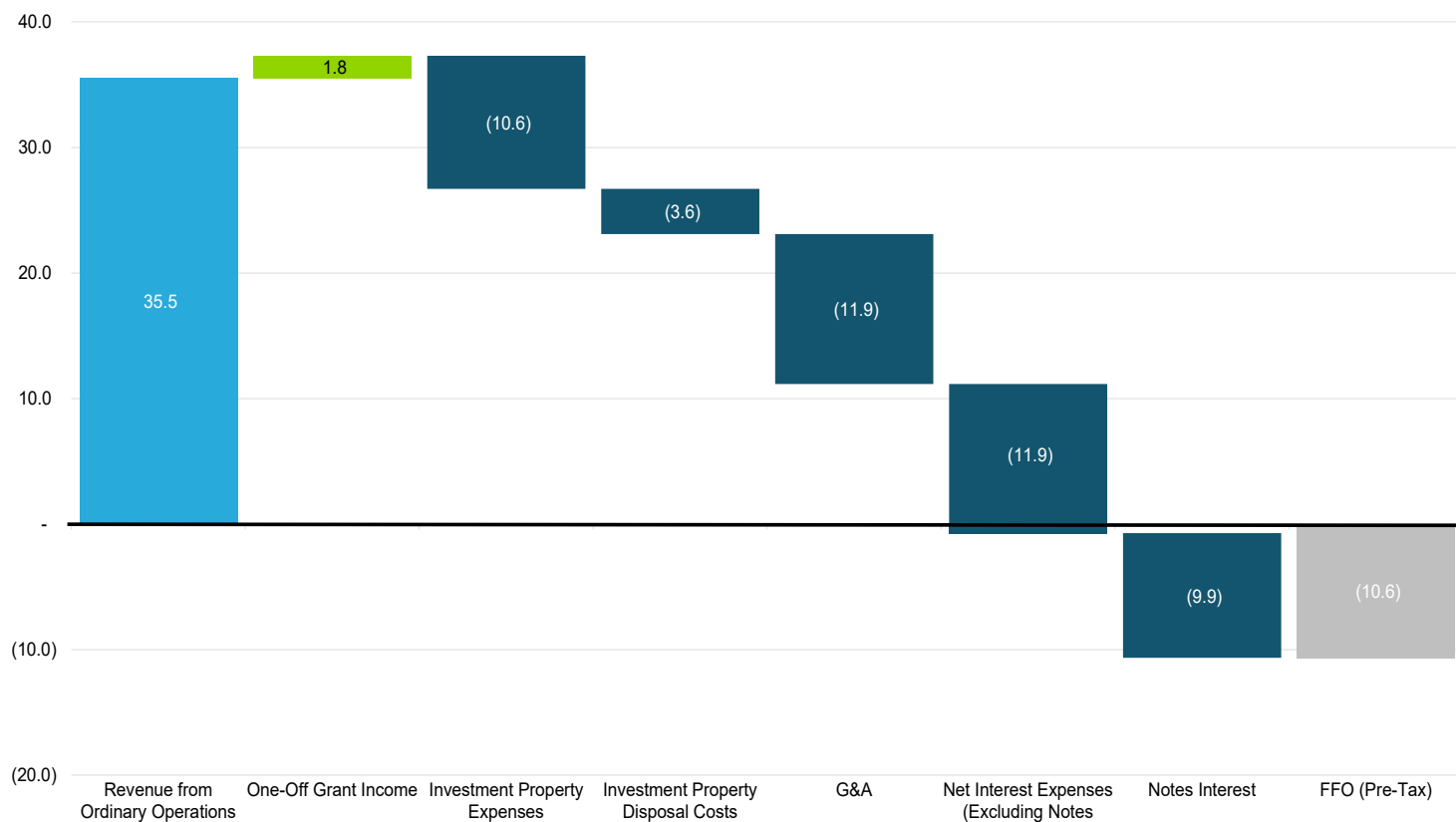
This cash flow position highlights the importance of the current strategic priorities that have been outlined, and the opportunities that exist to improve the Fund's cash flow position into the future.

Q3 2020 saw continued improvement in FFO compared to prior years. For the nine months to 30 September 2020 the Fund's annualised FFO equated to an improvement of over 50% compared to 2019's results (excluding the one-off grant income). This improvement is largely due to a reduction in costs relative to prior years across property, G&A and financing expense categories.

This FFO progress has been achieved despite the increased property disposal costs. These property disposal costs will only be incurred for a finite period while the sales process is ongoing. Properties held vacant for sale also have a negative impact on FFO, as property expenses such as taxes and insurance are still incurred, but there is no corresponding revenue to offset these costs. While these cash flow inefficiencies related to the sales process are necessary at the current time as the Fund works through its debt repayment program, once the sales program is concluded this drag on FFO will be removed, further improving future cash flows.

Fund Cash Flow Profile

YTD Q3 2020 Funds From Operations (FFO) - Pre-Tax (A\$Millions)



Source: US REIT

Note: AUD/USD average rate for YTD 2020 of 0.6773

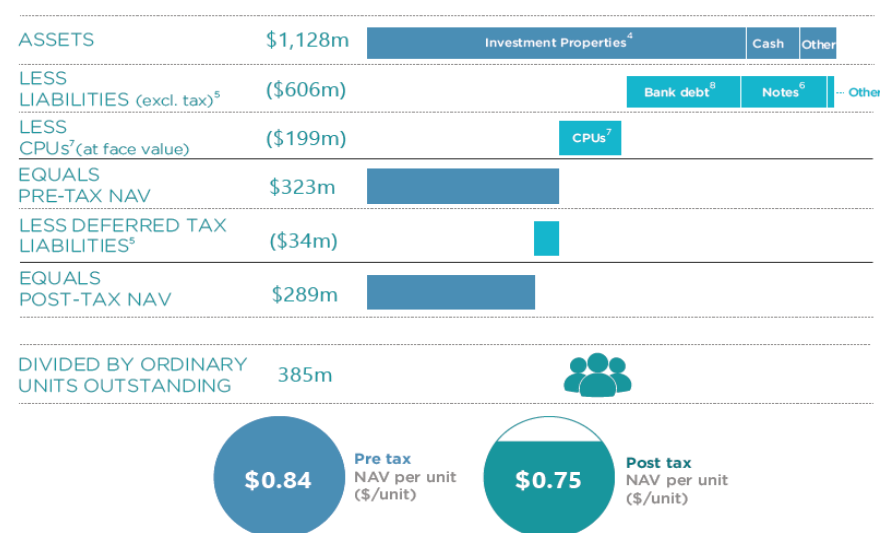
Fund Statistics

Performance Summary^{1,2,3,4} AS AT 30 SEPTEMBER 2020

	1M	3M	6M	1YR	2YR (PA)	3YR (PA)	5YR (PA)	SI ² (PA)
URF Ordinary	-16.7%	-38.5%	-24.5%	-69.7%	-63.4%	-49.8%	-35.7%	-16.5%
URF NAV*	6.3%	-20.8%	-36.8%	-45.1%	-27.0%	-16.8%	-14.5%	-2.0%
URF Notes I	All capital returned to investors January 2018							7.75%
URF Notes II	All capital returned to investors March 2020							7.75%
URF Notes III	-0.47%	0.11%	14.91%	1.24%	4.11%	-	-	5.54%

*Pre-tax

Net Asset Value Breakdown^{3,4} AS AT 30 SEPTEMBER 2020



Important Information

This Quarterly Update (Update) has been prepared by the US REIT, and issued by Walsh & Company Investments Limited (ACN 152 367 649 | AFSL 410 433) (Responsible Entity) as the Responsible Entity for the US Masters Residential Property Fund (Fund) (ARSN 150 256 161). An investment in the Fund is subject to various risks, many of which are beyond the control of the Responsible Entity.

This Update may contain statements, opinions, projections, forecasts and other material (forward-looking statements), based on various assumptions. Those assumptions may or may not provide to be correct. The Investment Manager and its advisers (including all of their respective directors, consultants and/or employees, related bodies corporate and the directors, shareholders, managers, employees or agents of them) (Parties) do not make 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. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19, and the Parties assume no obligation to update that information.

Notes

1 Returns are inclusive of distributions reinvested and adjusted for rights issues.

2 Inception date June 2011.

3 Past performance is not a reliable indicator of future performance.

4 Source: US REIT.

5 Liabilities excludes deferred tax liabilities. Deferred tax liabilities is the estimated tax obligations which may arise in connection with the realisation and distribution of taxation capital gains associated with its property assets.

6 Notes refer to URFHC at face value.

7 CPUs refer to Convertible Step-up Preference Units (ASX: URFPA). For the purpose of calculating the NAV, the above figures assume a cash settlement of the CPUs. No decision has been made regarding the conversion of the CPUs.

8 Bank debt refers to all other borrowings.

Board & Management

Board of the Responsible Entity

Stuart Nisbett

Peter Shear

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Mike Adams

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Kevin McAvey CO-HEAD OF THE US REIT

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