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Appendix 4D

Interim Financial Report
For the period ended 30 June 2021

Name of entity

US Masters Residential Property Fund

ARSN	Reporting period	Previous corresponding period
150 256 161	1 January 2021 to 30 June 2021	1 January 2020 to 30 June 2020

Results for announcement to the market

		30-Jun-21
Total revenue ("revenue from ordinary activities – investment property income, interest and dividend income")	Down by 25% to	$19,012,841
Net operating profit for the period ("profit from ordinary activities after tax attributable to unitholders")	Up by 142% to	$20,989,300
Total comprehensive income ("net income for the period attributable to unitholders")	Up by 184% to	$31,723,533

Commentary on results

Refer to attached Interim Financial Report, including the Directors' Report to Unitholders. Additional Appendix 4D disclosure requirements can be found in the notes to the financial statements.

Distributions

Convertible Preference Units	Amount per unit	Franked amount
Distribution (paid on 23 February 2021)	$3.15	-
Distribution (paid on 25 August 2021)	$3.10	-
Total distribution	$6.25	-

There is a distribution reinvestment plan in operation in respect of this Convertible Step-up Preference units distribution.

Distribution dates:

Ex-Distribution date:	Tuesday, 29 June 2021
Record date:	Wednesday, 30 June 2021
Payment date:	Wednesday, 25 August 2021

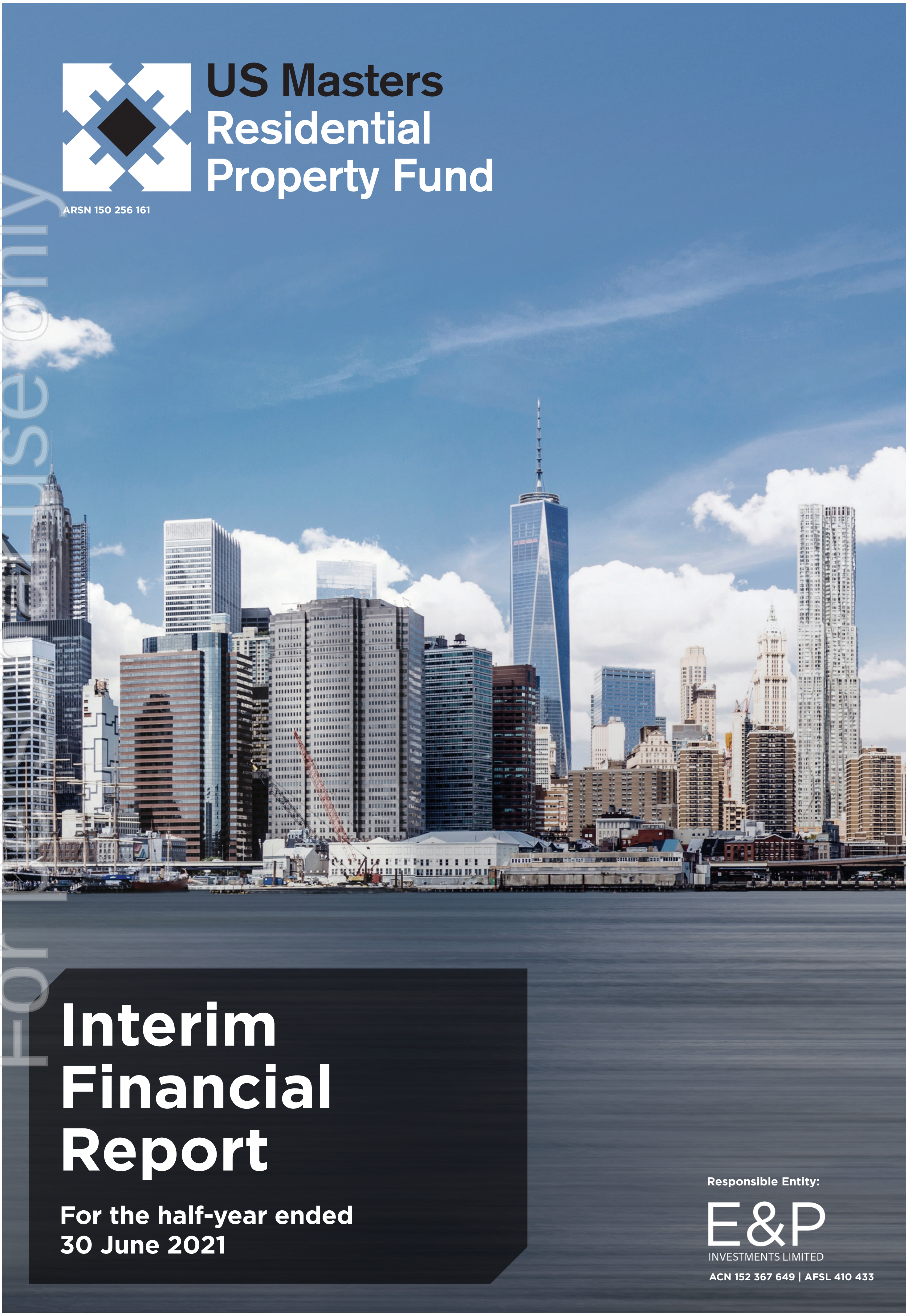
Net tangible assets per ordinary unit	**30-Jun-21**	**30-Jun-20**
Pre-tax attributable to ordinary units	$0.69	$0.93
Post-tax attributable to ordinary units	$0.61	$0.84

The above figures are based on a cash settlement of the Convertible Step-Up Preference Units.

Earnings/(loss) per unit	**30-Jun-21**	**30-Jun-20**
Basic earnings/(loss) per unit	3.8 cents	(14.7) cents
Diluted earnings/(loss) per unit	3.8 cents	(14.7) cents

Interim Financial Report

This report is based on the 30 June 2021 Interim Financial Report and has been reviewed by Deloitte Touche Tohmatsu.



US Masters Residential Property Fund

ARSN 150 256 161

Interim Financial Report

For the half-year ended 30 June 2021

Responsible Entity:

E&P INVESTMENTS LIMITED

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US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

FOR THE HALF-YEAR ENDED 30 JUNE 2021

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US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CHAIRMAN'S LETTER

FOR THE HALF-YEAR ENDED 30 JUNE 2021

Dear Investors,

I am pleased to provide you with the half-year report for the US Masters Residential Property Fund (URF or Fund) for the six months ended 30 June 2021. These results culminate in a total comprehensive profit of A$31.7 million for the half year, highlighted by a US$16.8 million increase in value for the 1-4 Family Portfolio. The Fund's aggregate asset valuation uplift across the period equates to an 8.6% increase to the pre-tax Net Asset Value (NAV) for the Fund. It is encouraging to see the macroeconomic conditions for New York real estate improving as the region continues to emerge from the worst of the COVID-19 pandemic.

Throughout the period, the Responsible Entity and local US team have made continued progress executing the Fund's stated strategic goals, and we are pleased with the significant changes that have been facilitated. These changes were initiated in mid-2019, and as we reflect on the two year period that has followed its worthwhile reviewing the cumulative improvements that has been made throughout the implementation of this strategic plan, despite the challenges of COVID-19:

- Total asset sales of US$171 million from the 1-4 Family portfolio (US$75 million in this six month reporting period) with a further US$16.6 million of assets under contract at 30 June 2021. Throughout this disposal program the focus has been on the patient execution of sales to maximise unitholder value, with the US team employing a number of strategies to achieve the required sales volume, including traditional broker sales, off-market sales, sales to existing tenants, and block trades.
- Substantial debt repayment, with total debt levels reduced by A$226 million since 30 June 2019. Of this A$70 million was repaid in this six month reporting period. These recent repayments follow the successful refinance to Global Atlantic in late 2020 which has provided the Fund with a cost effective and stable long term debt solution.
- Returning capital to investors, with URF Notes II (A$90 million) & URF Notes III (A$175 million) being fully repaid ahead of their respective maturities – the final URF Notes III payment being made in March this year. Convertible Preference Unit (ASX: URFPA) holders have received total distributions of A$25 million over this two year time period.
- General & Administrative (G&A) expenses have been substantially reduced; with a 33% reduction achieved in H1 2021 compared to H1 2019. Further improvements are expected in coming reporting periods as the Fund moves to complete its sales program.
- Same-home Net Operating Income (NOI) has increased from US$17.8 million in 2019 to US$19.6 million for the 12 months to 30 June 2021[1]. As rents regain momentum after COVID-19 we look forward to working towards our pre-pandemic NOI target of US$20.3 million.
- H1 2021's annualised Funds From Operations (FFO) represents a 57% improvement over the full year 2019 result after normalising both periods for disposal costs associated with the sales program[2].
- The renovation pipeline has been concluded, with the final project being completed in this reporting period.
- Investor communications improved to transparently track operational progress against defined goals, and ensure investors are fully informed about the changes the Fund is undertaking.

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[1] NOI for each period is calculated as total US REIT operating revenue less total property level expenses (consisting of property taxes, property insurance, utilities expenses, repairs and maintenance expenses, and other property level expenses). Refer to the accompanying Q2 2021 URF Report for additional details on this metric.

[2] Funds from operations (FFO) is calculated as revenue from ordinary operations less; investment property expenses, general & administrative expenses, and net interest expense (excluding amortised finance costs). In both periods disposal costs associated with the sales program have been removed to normalise the operational result. Refer to the accompanying Q2 2021 URF Report for additional details on this metric.

In aggregate, these improvements have positioned us to fully repay the Global Atlantic Bridge Loan within the coming quarter, as well as put us on track to target a positive FFO run rate within the 2022 calendar year. These achievements will represent significant milestones for the Fund, and once complete will represent the culmination of the strategic plan implemented following 2019's management change.

While positioning the Fund to run as efficiently as possible, we are also dedicated to exploring capital markets opportunities to add value for unitholders. To this end the Board of the Responsible Entity has engaged external consultants for research and projections on the Fund's investment regions, and will continue to actively assess capital management and transactional strategies that may benefit unitholders.

For our full year 2020 results I noted that the operational improvements that have been implemented put the Fund in a strong position to take advantage of the improving sentiment around the New York and New Jersey property markets. This is worth repeating, as the economic and operational metrics continue to improve in both tangible results and future outlook. We thank investors for their ongoing support, and look forward to sharing continued progress over coming months.

Sincerely,

Stuart Nisbett

Chairman of E&P Investments Limited, Responsible Entity for US Masters Residential Property Fund

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US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CEO REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2021

Dear Investors,

During the first six months of 2021, the New York Metropolitan area steadily began to rebound from the impact of the COVID-19 pandemic, with life in NYC exhibiting signs of a return to normalcy in the late spring and early summer months. Although the COVID-19 variants have caused concern across the US as of late, we are hopeful that the high vaccination rates in New York and New Jersey (59% and 60%, respectively, compared to a total vaccination rate of 52% across the US) will prevent the Fund's target markets from experiencing a setback or reinstatement of government-mandated restrictions in the coming months.

Despite the lingering effects of the COVID-19 pandemic, the Fund's first half of the year was defined by strong, continued progression of the strategic plan implemented in late 2019 following the change in Management. Specifically, during the six months to 30 June the Fund:

- Closed on the sale of US$74.8 million worth of property at a 0.6% premium to book value;
- Continued to reduce debt levels, with the Fund's total debt balance falling from US$425.5 million to US$375.5 million during the Period and URF Notes III being fully repaid;
- Completed the Fund's renovation pipeline, and;
- Further rebalanced the portfolio composition through the sale of low-yielding Premium assets, with the New Jersey Workforce segment now representing 29% of the 1-4 family portfolio by value (compared to 22% prior to the change in Management)

As a result of the success of the Fund's strategic asset sales program, as of 30 June the balance of the Global Atlantic Bridge Loan had been reduced to US$24.6 million. Although the Fund has taken a conservative approach in maintaining ample cash reserves since 2020 as a result of the increased uncertainty caused by the pandemic, we believe that the Fund's material FFO improvement and sales progression have now positioned it to use a portion of its cash reserves to fully repay the Bridge Loan, which we anticipate will take place shortly after the release of this set of accounts. The repayment of the Bridge Loan will represent another significant milestone for the strategic plan, one which will reduce the Fund's leverage ratio and interest costs, assist in the continued improvement of FFO, and further simplify the Fund's capital structure.

In addition to the sales closed during the period, at balance date the Fund had a further US$16.6 million worth of property under contract and US$19.1 million of inventory currently on the market for sale. In working through the settlement of this remaining inventory, the Fund will begin the process of winding down the two year sales program that commenced in late 2019 following the change in Management. Over the remainder of second half of the year, the Fund will continue to progress the following initiatives:

- Closing out the remaining assets within the sales pipeline;
- Continuing to explore corporate opportunities to maximise value for investors across both URF and URFPA securities, and;
- Subject to the progress and outcome of the initiatives listed above – transitioning the portfolio to a fully stabilised state and further reducing overhead costs, with the expectation of approaching an FFO positive run rate in 2022, subject to broader market conditions.

We would like to thank investors for their consistent engagement, feedback and support as the Fund has worked through its strategic turnaround since late 2019, and we look forward to providing further evidence of the Fund's marked improvement over the remainder of 2021. We would also like to thank the URF staff for their continued hard work and dedication to the day-to-day execution of the Fund's turnaround.

Kind regards,

Kevin McAvey & Brian Disler
Co-Heads of US REIT

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US MASTERS RESIDENTIAL PROPERTY FUND
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DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2021

Principal activities and significant changes in the nature of activities
The principal activity of the Group during the course of the financial period was its investment in the US residential property market. The Group owns freestanding and multi-family properties in the New York metropolitan area, specifically Hudson and Essex Counties, New Jersey, and Brooklyn, Manhattan, and Queens, New York.

Financial performance and position
For the period ended 30 June 2021, the Group recorded a pre-tax profit of $6.6 million, a post-tax profit of $21.0 million and a total comprehensive profit of $31.7 million.

Distributions paid or recommended
A distribution of $3.15 per Convertible Preference Unit totalling $6.3 million was declared in the prior year. After accounting for the Group's Dividend Reinvestment Plan, $5.1 million was paid on 23 February 2021. In addition, a distribution of $3.10 per Convertible Preference Unit totalling $6.2 million was declared on 8 June 2021. After accounting for the Group's Dividend Reinvestment Plan, $4.8 million was paid on 25 August 2021.

After balance date events
A distribution of $3.10 per Convertible Preference Unit totalling $6,171,192 was declared on 8 June 2021 and was paid to unitholders on 25 August 2021. 5,511,432 units were issued under the Group's Distribution Reinvestment Plan.

While the Fund's results have to date proven to be resilient against the disruption and economic impacts caused by COVID-19, the impact on the Group's performance of future developments regarding the virus cannot be known as of reporting date.

Other than the matters discussed above, there has not arisen in the interval between the balance date and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Responsible Entity of the Fund, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Other relevant information
As at 30 June 2021, E&P Private Investments Pty Limited (formerly Dixon Private Investments Pty Ltd), a wholly owned subsidiary of E&P Financial Group Limited, owns 3,650,453 ordinary units in the Group.

Auditor's independence declaration
The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half-year ended 30 June 2021.

Signed in accordance with a resolution of the Directors:

Stuart Nisbett
Director
Dated this 31st day of August 2021

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Deloitte.

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31 August 2021

The Board of Directors
E&P Investments Limited
as Responsible Entity for:
US Masters Residential Property Fund
Level 15, 100 Pacific Highway
North Sydney NSW 2060

Dear Board Members

Auditor's Independence Declaration to the Directors of E&P Investments Limited as Responsible Entity for US Masters Residential Property Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of the Responsible Entity of US Masters Residential Property Fund.

As lead audit partner for the review of the half year financial report of US Masters Residential Property Fund for the half-year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) Any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Haynes

David Haynes
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

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US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2021

	Note	**30 Jun 2021**	**30 Jun 2020**
		$	**$**
Investment property rental income		18,825,122	25,001,658
Interest income		187,719	250,928
Other income		121,457	124,053
Fair value movement of investment properties	*6*	22,928,614	(47,787,162)
Fair value movement of equity investments	*3*	(1,146,754)	(3,226,924)
Share of losses of jointly controlled entities	*5*	(52,070)	(133,653)
Grant income	*13*	-	1,876,521
Investment property expenses		(6,251,619)	(7,131,104)
Net foreign currency (loss)/gain		(929,566)	3,230,194
Listing fees		(92,555)	(115,005)
Professional fees		(506,785)	(644,023)
Marketing		(15,884)	(113,982)
IT expenses		(204,057)	(300,742)
Management fees	*17*	(1,708,797)	(2,357,859)
Salaries and wages		(4,543,331)	(3,763,836)
Office administration costs		(196,131)	(255,677)
Interest expense	*6*	(13,129,860)	(17,722,090)
Investment property disposal costs		(5,623,548)	(2,607,086)
Allowance for expected credit losses		(435,802)	(265,117)
Reversal of impairment of right-of-use asset	*9*	-	100,234
Insurance expense		(406,800)	(363,160)
Depreciation and amortisation expense		(64,048)	(424,358)
Other expenses		(191,216)	(182,074)
Profit/(loss) before income tax		6,564,089	(56,810,264)
Income tax benefit	*10*	14,425,211	7,159,863
Profit/(loss) for the period attributable to Unitholders		20,989,300	(49,650,401)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operation (nil tax)		10,734,233	11,754,039
Other comprehensive income for the period, net of tax		10,734,233	11,754,039
Total comprehensive income/(loss) for the period attributable to Unitholders		31,723,533	(37,896,362)
Earnings per unit			
Basic earnings/(loss) per ordinary unit (dollars) *		0.04	(0.15)
Diluted earnings/(loss) per ordinary unit (dollars) *		0.04	(0.15)

* Basic and diluted loss per ordinary unit is calculated as profit for the period less distributions to convertible preference unitholders.

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with Notes to the Consolidated Financial Statements.

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US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	**30 Jun 2021**	**31 Dec 2020**
		$	**$**
Current assets			
Cash and cash equivalents	*2*	77,410,865	74,720,179
Receivables		1,603,243	1,692,312
Prepayments		449,760	208,372
Other financial assets	*3*	1,713,605	8,451,331
Other assets	*4*	552,317	935,246
Net investment in sublease	*9*	745,320	464,506
Investments in jointly controlled entities	*5*	577,712	615,193
Investment properties held for sale	*6*	47,598,025	127,333,702
Total current assets		130,650,847	214,420,841
Non-current assets			
Investment properties	*6*	819,646,703	790,037,967
Other financial assets	*3*	15,985,782	16,696,096
Other assets	*4*	8,258,410	8,072,902
Right-of-use asset	*9*	1,063,298	-
Net investment in sublease	*9*	3,202,045	3,489,716
Property, plant and equipment	*8*	69,518	106,046
Security deposits	*7*	406,775	396,413
Total non-current assets		848,632,531	818,799,140
Total assets		979,283,378	1,033,219,981
Current liabilities			
Payables	*11*	10,890,512	10,912,638
Borrowings	*12*	-	16,418,515
Lease liabilities	*9*	1,018,583	768,350
Total current liabilities		11,909,095	28,099,503
Non-current liabilities			
Deferred tax liabilities	*10*	30,685,033	44,011,090
Borrowings	*12*	495,877,010	547,560,316
Lease liabilities	*9*	4,270,444	3,700,294
Other non-current liabilities		166,711	172,618
Total non-current liabilities		530,999,198	595,444,318
Total liabilities		542,908,293	623,543,821
Net assets		436,375,085	409,676,160
Equity			
Unit capital		451,851,112	450,704,528
Convertible step-up preference units		194,822,929	194,822,929
Reserves		152,950,853	142,216,620
Accumulated losses		(363,249,809)	(378,067,917)
Total equity		436,375,085	409,676,160

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with Notes to the Consolidated Financial Statements.

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US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2021

	Unit capital	Convertible step-up preference units	Foreign currency translation reserve	Accumulated losses	Total equity
	$	$	$	$	$
Balance at 1 January 2020	**448,400,079**	**194,822,929**	**187,699,473**	**(270,106,274)**	**560,816,207**
Loss for the period	-	-	-	(49,650,401)	(49,650,401)
Other comprehensive income, net of income tax					
Foreign operation currency translation gain	-	-	11,754,039	-	11,754,039
Total other comprehensive income	-	-	11,754,039	-	11,754,039
Total comprehensive income/(loss) for the period	**-**	**-**	**11,754,039**	**(49,650,401)**	**(37,896,362)**
Transactions with owners in their capacity as owners					
Issue of ordinary units	1,103,725	-	-	-	1,103,725
Distributions to CPU unitholders	-	-	-	(6,171,192)	(6,171,192)
Total transactions with owners	**1,103,725**	**-**	**-**	**(6,171,192)**	**(5,067,467)**
Balance at 30 June 2020	**449,503,804**	**194,822,929**	**199,453,512**	**(325,927,867)**	**517,852,378**
Balance at 1 January 2021	**450,704,528**	**194,822,929**	**142,216,620**	**(378,067,917)**	**409,676,160**
Profit for the period	-	-	-	20,989,300	20,989,300
Other comprehensive income, net of income tax					
Foreign operation currency translation gain	-	-	10,734,233	-	10,734,233
Total other comprehensive income	-	-	10,734,233	-	10,734,233
Total comprehensive income for the period	**-**	**-**	**10,734,233**	**20,989,300**	**31,723,533**
Transactions with owners in their capacity as owners					
Issue of ordinary units	1,146,584	-	-	-	1,146,584
Distributions to CPU unitholders	-	-	-	(6,171,192)	(6,171,192)
Total transactions with owners	**1,146,584**	**-**	**-**	**(6,171,192)**	**(5,024,608)**
Balance at 30 June 2021	**451,851,112**	**194,822,929**	**152,950,853**	**(363,249,809)**	**436,375,085**

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with Notes to the Consolidated Financial Statements.

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US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2021

	Note	30 Jun 2021 $	30 Jun 2020 $
Cash flows from operating activities			
Cash receipts from customers		18,776,921	25,264,856
Cash receipts from government grants		-	1,876,521
Cash paid to suppliers and employees		(14,177,375)	(16,181,507)
Interest received		150,718	275,422
Interest paid (i)		(11,168,531)	(14,859,635)
Net cash used in operating activities		(6,418,267)	(3,624,343)
Cash flows from investing activities			
Payments of investment property improvements (i)		(2,912,087)	(12,562,071)
Proceeds from sale of investment properties		97,467,716	52,353,902
Disposal costs on sale of investment properties		(5,623,548)	(2,607,086)
Distributions received from jointly controlled entity investments (ii)		-	5,015,203
Amounts received from/(advanced to) third parties		6,786,432	(102,821)
Net cash from investing activities		95,718,513	42,097,127
Cash flows from financing activities			
Bank loan repayments		(64,918,002)	(21,179,970)
Unsecured note repayments		(17,500,000)	(40,134,875)
Refund of interest reserve and escrow accounts		4,143,761	1,055,034
Payment of interest reserve and escrow accounts		(4,118,952)	-
Payment of transaction costs related to loans and borrowings		(5,901)	(6,330)
Distributions paid		(5,119,965)	(5,165,800)
Withholding tax paid		(32,233)	(321,281)
Lease payments		(379,236)	(426,363)
Cash receipts from net investment in sublease		116,115	-
Net cash used in operating activities		(87,814,413)	(66,179,585)
Net increase/(decrease) in cash and cash equivalents		1,485,833	(27,706,801)
Cash and cash equivalents at beginning of period		74,720,179	85,875,027
Effect of exchange rate fluctuations on cash held		1,204,853	949,779
Cash and cash equivalents at end of period	*2*	77,410,865	59,118,005

(i) - Interest paid in respect of expenditure on Qualifying Assets has been classified as an “Payments of investment property improvements” cash flow in the Condensed Consolidated Statement of Cash Flows. In the current period, the amount of interest capitalised to investment properties was nil (2020: $1,989,215).

(ii) - Distributions received from jointly controlled entity investments are net of promote interest payments.

The Condensed Consolidated Statement of Cash Flows is to be read in conjunction with Notes to the Consolidated Financial Statements.

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1. Basis of preparation

Statement of compliance

The consolidated financial statements are general purpose condensed financial statements which have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**), including AASB 134: Interim Financial Reporting, and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the consolidated financial statements comply with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

This interim financial report is intended to provide users with an update on the latest annual financial statements of US Masters Residential Property Fund (**the Fund**). The half-year financial statements do not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report, together with any public announcements made during the half-year.

These half-year financial statements were approved by the Board of Directors of the Responsible Entity on 31 August 2021.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

Amendments to Accounting Standards and new Interpretations that are mandatory effective from the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

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2. Cash and cash equivalents

	30 Jun 2021 $	31 Dec 2020 $
Cash at bank	77,343,979	74,720,179
Restricted cash (i)	66,886	-
	77,410,865	74,720,179

(i) Restricted cash relates to a deposit account into which all tenant rent is received (Rent Deposit Account). The Rent Deposit Account is beneficially owned by the Group but is controlled by Global Atlantic as part of its security over the loan facility. Amounts are swept daily from the Rent Deposit Account by the loan servicer to cover interest, replenishment of required reserves and any other amount due to Global Atlantic.

3. Other financial assets

	30 Jun 2021 $	31 Dec 2020 $
Current assets		
Loan to other entity	1,713,605	8,451,331
	1,713,605	8,451,331
Non-current assets		
Equity investments — fair value	15,985,782	16,696,096
	15,985,782	16,696,096

a) Loan to other entity

The Group provided vendor financing in respect of a property disposed in a prior year.

In the current period, the borrower arranged its refinancing of the loan facility due to the Group. As a result of the borrower's refinancing, a portion of the principal was repaid. The loan has a revised maturity date of December 22, 2021. The reduced principal balance accrues interest at a rate of 3.75% per annum, and is secured by way of mortgage that ranks second to the new primary lender.

b) Equity investments – fair value

Investee	Country of Incorporation	Principal activity	Principal place of business	30 Jun 2021 %	31 Dec 2020 %
515 West 168th Venture LLC (i)	USA	Property investment	Washington Heights, NY	63.7%	63.7%
30–58/64 34th Street Venture LLC (i)	USA	Property investment	Astoria, NY	65.0%	65.0%
523 West 135th Street Venture LLC (i)	USA	Property investment	Hamilton Heights, NY	64.7%	64.7%

(i) The Fund does not have existing rights that give it the current ability to direct the relevant activities of the Investee and therefore does not exercise control of the Investee. Similarly, the Fund does not have significant influence over the Investee. Accordingly, the investment has been designated as a financial asset at fair value through profit or loss.

3. Other financial assets (*continued*)

515 West 168th Venture LLC

During the period, Walker & Dunlop, Inc was appointed to value the investment property owned by 515 West 168th Venture LLC. In determining the fair value of the property at 30 June 2021, the appraiser adopted a capitalisation of income approach.

The fair value of the property as at 30 June 2021 was USD$18,310,000 (A$24,419,845), resulting in a total fair value decrement recognised during the period of USD$410,000 (A$546,812), of which the Group's economic share was USD$261,170 (A$348,320). The Investee had borrowings totaling USD$13,400,000 (A$17,871,432).

30–58/64 34th Street Venture LLC

During the period, Walker & Dunlop, Inc was appointed to value the investment property owned 30-58/64 34th Street Venture LLC. In determining the fair value of the property at 30 June 2021, the appraiser adopted a capitalisation of income approach.

The fair value of the property as at 30 June 2021 was USD$16,150,000 (A$21,539,077), resulting in a total fair value decrement recognised during the period of USD$230,000 (A$306,748), of which the Group's economic share was USD$149,500 (A$199,387). The Investee had borrowings totaling USD$7,949,779 (A$10,602,533).

523 West 135th Street Venture LLC

During the period, Walker & Dunlop, Inc was appointed to value the investment property owned 523 West 135th Street Venture LLC. In determining the fair value of the property at 30 June 2021, the appraiser adopted a capitalisation of income approach.

The fair value of the property as at 30 June 2020 was USD$5,540,000 (A$7,388,637), resulting in a total fair value decrement recognised during the period of USD$690,000 (A$920,245), of which the Group's economic share was USD$446,430 (A$595,399). The Investee had borrowings totaling USD$4,489,277 (A$5,987,299).

The Group has classified its equity investments as a Level 3 hierarchy level asset due to the fair value measurement of the Investees' investment properties being based on inputs that are not observable for the assets, either directly or indirectly, as follows:

Class of investment	Fair value hierachy level	Fair value ($) 30 Jun 2021	Fair value ($) 31 Dec 2020	Inputs
Equity investments - fair value	Level 3	15,985,782	16,696,096	- Net market income of US$15.47 - US$21.65 (31 December 2020: US$15.69 - US$22.46) per square foot - Capitalisation rates of 4.75% (31 December 2020: 4.5% - 5%)

There were no transfers between the fair value hierarchy levels during the period.

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4. Other assets

	30 Jun 2021 $	31 Dec 2020 $
Current assets		
Deferred leasing fee	14,829	45,077
Other assets (escrow deposits and receivables)	537,488	890,169
	552,317	935,246

	30 Jun 2021 $	31 Dec 2020 $
Non-current assets		
Facility reserve accounts (i)	8,258,410	8,072,902
	8,258,410	8,072,902

(i) The Group had the following balances held on reserve with Global Atlantic ('GA') as required under the terms of the facility (refer note 12(i)):

- An interest reserve totalling US$4,483,170 (A$5,979,154) at balance date.

  On each anniversary of the loan closing date (November 19, 2020), an audit of the interest reserve account will be completed by GA and if the balance of the account exceeds 3 months' worth of debt service payments, the excess will be returned to the Group.

- A property tax reserve totalling US$1,067,860 (A$1,424,193) at balance date.

  Under the terms of the facility, the Group is required to make monthly payments equivalent to 1/12th of the estimated annual property tax liability for deposit into the property tax reserve.

  At the date of review by GA, subject to the Group providing evidence satisfactory to GA that the Group is current with its quarterly property tax obligations and there being no Events of Default, the Group will be reimbursed out of the reserve account for property tax payments made.

- An insurance reserve totalling US$278,876 (A$371,934) at balance date.

  Under the terms of the facility, the Group is required to make monthly insurance premium reserve payments equivalent to 1/12th of the estimated annual premium into the insurance reserve account. At all times, the Group is required to maintain a minimum balance representing two months' worth of insurance premium in the insurance reserve account.

  At the date of review by GA, subject to the Group providing evidence satisfactory to GA that the Group is current with its insurance obligations, a two month minimum reserve balance requirement and there being no Events of Default, the Group will be reimbursed out of the reserve account for insurance premium payments made.

- A capital expenditure reserve totalling US$362,250 (A$483,129) at balance date.

  Each month, the Group is required to make payments into the capital expenditure reserve equivalent to 1/12th of $1,000 multiplied by the number of properties pledged as security under the Term Loan facility. Once the capital expenditure reserve reflects a balance equivalent to $1,000 per Term Loan property, monthly payments of capital expenditure reserve are not required.

  At the date of review by GA, subject to the Group providing evidence acceptable to Lender that capital work has been completed in a satisfactory manner and there being no Events of Default, the Group will be reimbursed out of the capital reserve account for repairs and maintenance work completed on the properties pledged as security under the Term Loan facility.

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5. Investments in jointly controlled entities

Jointly controlled entities	Country of incorporation	Principal activity	Principal place of business	Ownership Interest 30 Jun 2021 %	Ownership Interest 31 Dec 2020 %
Golden Peak II LLC (i) (iii)	USA	Property Investment	Hudson County, NJ	67.5%	67.5%
Hudson Gardens LLC (i)	USA	Property Investment	Hudson County, NJ	-	90.0%
Gold Coast Equities LLC (i) (ii)	USA	Property Investment	Hudson County, NJ	92.5%	92.5%
DXEX Brooklyn I LLC (i) (ii)	USA	Property Investment	Brooklyn, NY	92.5%	92.5%
DXEX Brooklyn II LLC (i) (ii)	USA	Property Investment	Brooklyn, NY	92.5%	92.5%
DXEX Brooklyn III LLC (i) (ii)	USA	Property Investment	Brooklyn, NY	92.5%	92.5%

(i) The Fund does not have existing rights that give it the current ability to direct the relevant activities of the jointly controlled entity and therefore does not exercise control of the jointly controlled entity.

(ii) The investment properties owned by all Excelsior jointly controlled entities were disposed of and the net assets of each jointly controlled entity were fully distributed to the joint venture partners in prior years. These entities are in the process of being dissolved.

(iii) Golden Peak II LLC

Carrying amount of interest in jointly controlled entities	30 Jun 2021 (6 months) $	31 Dec 2020 (12 months) $
Balance at beginning of period	615,193	5,524,908
Distributions received and receivable	-	(4,775,672)
Share of losses of jointly controlled entities	(52,070)	(152,978)
Exchange rate differences on translation	14,589	18,935
Balance at end of period	577,712	615,193

The entities are in the process of being dissolved and the remaining share of net assets is expected to be received by 31 December 2021. Consequently, the balance at period end totalling $577,712 has been recognised as current asset.

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6. Investment properties

	30 Jun 2021 $	31 Dec 2020 $
Disclosed on the Condensed Consolidated Statement of Financial Position as:		
Current assets		
Investment properties held for sale	47,598,025	127,333,702
Non-current assets		
Investment properties	819,646,703	790,037,967
	867,244,728	917,371,669

	30 Jun 2021 (6 months)	31 Dec 2020 (12 months)
At fair value		
Balance at beginning of period	917,371,669	1,141,930,663
Acquisitions, including improvements and interest on qualifying properties	2,599,690	18,974,844
Fair value movement of investment properties to market	22,928,614	(54,502,742)
Disposals	(97,077,634)	(104,295,649)
Exchange rate differences on translation	21,422,389	(84,735,447)
Balance at end of period	867,244,728	917,371,669

	30 Jun 2021 (6 months)	30 Jun 2020 (6 months)
Interest expense	13,129,860	19,711,305
Interest capitalised to carrying value of qualifying investment properties	-	(1,989,215)
Interest expense reflected in profit or loss	13,129,860	17,722,090

Investment properties that are either under contract or actively being marketed for sale at balance date have been classified as “Investment properties held for sale” and are shown as a current asset on the Condensed Consolidated Statement of Financial Position. Settlement is expected to occur within 12 months of balance date.

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6. Investment properties *(continued)*

i) Valuation basis

In determining the fair value of the Group's investment properties at balance date, the portfolio of properties has been dissected into groupings by location (neighbourhood), being the principal characteristic assessed as impacting fair values. A sample of properties within each location grouping was selected for independent appraisal ensuring a representative coverage was obtained. The Group has a policy of ensuring each property is independently appraised on at least a three-year rotation basis.

A panel of the following appraisers was appointed to appraise the residential properties selected for appraisal during the period. The appraisers were selected in consideration of their certification as either licensed residential appraisers or licensed real estate agents, as well as their experience and independence to the Group. Residential appraisals were conducted under the Uniform Standards of Professional Appraisal Practice as required by the Appraisals Standards Board of The Appraisal Foundation in the USA.

- County Appraisals, LLC (licensed residential appraiser)
- Accurate Appraisals Associates, LLC (licensed residential appraiser)
- FJR Appraisal Service (licensed residential appraiser)
- Platinum Coast Appraisal & Co. (licensed residential appraiser)
- Glenn A. Gabberty Appraisals, Inc. (licensed residential appraiser)
- Douglas Elliman Real Estate (licensed real estate agent)
- Eric Sidman Hudson Advisory Team (licensed real estate agent)
- Patrick Southern Coldwell Banker (licensed real estate agent)
- Tamara Marotta Corcoran Group (licensed real estate agent)

The appraisals of all properties have been completed using the "direct comparable sales" approach. Under this approach, the appraiser identifies at least three relevant and appropriate comparable location sales in relative close time proximity to valuation date, which sales evidence is used in conjunction with consideration of other relevant property specific or general market factors to assess the estimated market value of the subject property.

The valuation results of the appraised properties, excluding outliers are used to determine the average result for each neighbourhood. The average result for each neighbourhood is then extrapolated over the properties which were not subject to individual appraisal, thereby achieving an overall valuation outcome for each neighbourhood and accordingly the entire portfolio.

At 30 June 2021, the Group has classified its property portfolio as a Level 2 hierarchy level asset due to its fair value measurement being based on inputs (other than unadjusted quoted prices in active markets for identical assets) that are observable for the assets, either directly or indirectly, as follows:

Class of property	Fair value hierachy level	Fair value ($) 30 Jun 2021	Fair value ($) 31 Dec 2020	Valuation technique	Inputs
Residential use investment property	Level 2	867,244,728	917,371,669	Direct comparable sales	- Selling price - Geographic location - Property age and condition - Size of Property - Number of rooms

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6. Investment properties *(continued)*

The fair value of the Group's portfolio of investment properties at 30 June 2021 was determined based on market conditions existing at balance date. Due to the impact that the COVID-19 pandemic could have on valuations of investment properties, a sensitivity analysis has been performed on the fair value adopted at 30 June 2021 below to consider the movement in the fair value of the portfolio of investment properties if the percentage fair value movements in each neighbourhood were to increase or decrease.

	Key Assumptions	
	5% decrease in % FV movement	5% increase % FV movement
Change in total value ($'000)	(42,241)	42,241

7. Security deposits

	30 Jun 2021 $	31 Dec 2020 $
Security deposits	406,775	396,413

The Group is party to a letter of credit arrangement with Investors Bank. Under the terms of the facility, the Group is required to provide security in the form of a US$305,000 (A$406,775) deposit.

8. Property, plant and equipment

	30 Jun 2021 $	31 Dec 2020 $
Leasehold improvements and office equipment - at cost	298,321	290,721
Accumulated amortisation and depreciation	(228,803)	(184,675)
	69,518	106,046

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9. Leases

The Condensed Consolidated Statement of Financial Position shows the following amounts relating to leases:

	30 Jun 2021	31 Dec 2020
Right-of-use asset	**$**	**$**
Opening Balance	-	4,811,959
Recognition of right-of-use asset	1,053,897	-
Depreciation charge	(25,842)	(551,103)
Impairment reversal	-	95,447
Reassessment of lease liability	-	(378,084)
Reclassification to net investment in sublease	-	(3,603,742)
Exchange rate differences on translation	35,243	(374,477)
Closing Balance	1,063,298	-

During the period, the Group became lessee of the premises at Harborside Financial Center, Jersey City, New Jersey. In regards to these premises, a right-of-use asset has been recognised at cost less accumulated depreciation. The asset is depreciated on a straight line basis over the term of the lease.

During the prior year, the Group executed a sublease in respect of its lease at 140 Broadway, New York, New York which commenced on 1 October 2020. Upon commencement of the sublease, the balance of the right-of-use asset was reclassified to a net investment in sublease receivable as shown below.

Under the terms of the sublease, lease payments by the subtenant commenced on April 1, 2021.

	30 Jun 2021	31 Dec 2020
Net investment in sublease	**$**	**$**
Opening balance	3,954,222	-
Reclassification of right-of-use asset	-	3,603,742
Initial direct costs	-	284,886
Interest income	131,520	73,038
Lease payments received	(238,671)	-
Exchange rate differences on translation	100,294	(7,444)
Closing Balance	3,947,365	3,954,222

Disclosed as:

	$	**$**
Current	745,320	464,506
Non-current	3,202,045	3,489,716
	3,947,365	3,954,222

	30 Jun 2021	31 Dec 2020
Lease liabilities	**$**	**$**
Opening Balance	4,468,644	6,118,902
Recognition of additional lease liability	1,053,897	-
Interest expense	93,568	226,679
Lease repayments	(469,112)	(1,047,238)
Reassessment of lease liability	-	(378,084)
Exchange rate differences on translation	142,030	(451,615)
Closing Balance	5,289,027	4,468,644

Disclosed as:

	$	**$**
Current	1,018,583	768,350
Non-current	4,270,444	3,700,294
	5,289,027	4,468,644

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9. Leases (continued)

Minimum lease payments in respect of the lease liability are as follows:

Lease liabilities - contractual undiscounted cash flows	**$**	**$**
Not later than one year	1,221,196	940,530
Later than one year and not later than five years	4,588,202	3,877,622
Later than five years	-	165,005
	5,809,398	4,983,157

10. Deferred tax liabilities

	30 Jun 2021	**31 Dec 2020**
	$	**$**
Investment properties	30,685,033	44,011,090
Movements		
Balance at beginning of period	44,011,090	41,826,121
Charged to profit or loss as income tax expense	3,647,230	5,201,967
Impact of change in rate used to measure deferred tax liability	(18,123,750)	-
Unrealised foreign exchange loss/(gain)	1,150,463	(3,016,998)
Balance at end of period	30,685,033	44,011,090

Income tax (benefit)/expense is comprised of:

	30 Jun 2021	**31 Dec 2020**
	$	**$**
Deferred tax (credited)/charged to profit or loss	(14,476,520)	5,201,967
State and withholding tax payable	51,309	175,045
Income tax (benefit)/expense	(14,425,211)	5,377,012

The Group recognises a deferred tax liability in respect of tax obligations which may arise in connection with the realisation and distribution to the Fund of taxable gains associated with its property assets. Depending on the structure of the realisation and other criteria and circumstances which can only be determined at a future disposal date, the rate may range from 0% to 24.95%, incorporating both corporate and branch profit taxes. The Group has adopted a policy of recording its estimate of the likely amount of tax that may be applicable based on its expected manner of disposal, as well as other conditions reasonably expected to prevail in the year of disposal.

In the current period, the Group has reduced the rate used to measure the deferred tax liability from 24.95% to 15%. One of the variables that will impact the rate of tax that will apply is the trading volume of the Group's units on the Australian Securities Exchange in the year of the realisation and distribution of the Fund's taxable gains. In the Directors' view, the Group has now established a sustained level of trading that exceeds the threshold to qualify for a reduced rate of tax. If the level of trading were to decline in future periods, and depending on other factors and variables that may prevail in the year of disposal, the rate of tax applicable may range from 0% to 24.95%.

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11. Payables

	30 Jun 2021 $	31 Dec 2020 $
Current		
Trade payables	424,686	799,958
Distribution payable	6,212,006	6,307,363
Other payables	4,253,820	3,805,317
	10,890,512	10,912,638

The average credit period on trade payables is 30 days. No interest is charged on trade payables from the date of invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

12. Borrowings

	30 Jun 2021 $	31 Dec 2020 $
Current liabilities		
Unsecured notes	-	16,418,515
	-	16,418,515
Non-current liabilities		
Secured bank loans — at amortised cost	495,877,010	547,560,316
	495,877,010	547,560,316

Bank borrowings

Bank borrowings are carried at amortised cost. Details of maturity dates and security for bank facilities are set out below:

Financial institution	Interest rate	Maturity date	Security	Property security value – fair value $	30 Jun 2021 Principal amount – amortised cost $	31 Dec 2020 Principal amount – amortised cost $
Global Atlantic	(i)	(i)	(i)		495,877,010	547,560,316
					495,877,010	547,560,316

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12. Borrowings *(continued)*

(i) In November 2020, the Group refinanced its senior borrowing facilities with Wells Fargo Bank and Centennial Bank with a new Global Atlantic Financial Group ('GA') facility dated November 19, 2020. At inception, the loan facility was US$430,653,586. At balance date, the outstanding loan facility and balance was US$375,514,975.

The GA facility is comprised of a Term Loan component (US$360M at inception, US$350,913,925 at balance date) and a Bridge Loan component (US$70,653,586 at inception, US$24,601,050 at balance date).

Term Loan component

The Term Loan component bears interest at a fixed rate of 4% per annum, and has a maturity date of May 19, 2026.

The facility is interest-only, and other than in specific circumstances (such as the sale of a property), principal repayments are not required.

Under the terms of the facility, there is a limit to the amount of Term Loan component that can be repaid early before incurring a Yield Maintenance Premium (refer paragraph below). This limit is referred to as the Free Prepayment Amount, and is US$54M during the Yield Maintenance Period of the facility. The US$54M Free Prepayment Amount is subject to a limit that can be repaid early in any one given year. This limit is referred to as the Free Prepayment Annual Amount, and is calculated as 5% of the initial balance of the Term Loan component, or US$18M per year. The annual repayment limit is cumulative, meaning that any unused repayment limit of one year is available to be carried forward to increase the Free Prepayment Annual Amount of subsequent years. For example, if in Year 1 the Group made early Term Loan component repayments equivalent to 2% of inception Term Loan component balance, then in Year 2 the Group can make early Term Loan repayments equivalent to 8% of inception Term Loan component balance before triggering a Yield Maintenance Premium.

The Yield Maintenance Premium is applicable only during the Yield Maintenance Period, which period covers the first 4.5 years of the loan facility. No Yield Maintenance Premium is payable on any early repayment following the cessation of the Yield Maintenance Period.

The Yield Maintenance Premium is calculated as the greater of (a) one percent (1%) of the amount of Term Loan component being repaid, and (b) the excess, if any, of (i) the sum of the present values of all then scheduled payments of interest and principal through maturity date over (ii) the principal amount of the Term Loan component being prepaid.

Bridge Loan component

The Bridge Loan bears interest at a fixed rate of 5% per annum and has a maturity date of November 19, 2022. Subject to satisfying certain criteria at the Bridge Loan maturity date, the Group has the option to extend the maturity date twice, each extension for a period of up to six months.

The facility is interest-only, and other than in specific circumstances (such as the sale of a property), principal repayments are not required under the terms of the facility.

There are no penalties associated with an early repayment of the Bridge Loan, or any portion thereof.

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12. Borrowings *(continued)*

Both the Bridge Loan and the Term Loan are secured by the following:

- A charge over the following subsidiaries of the Fund in which collateralised property assets are held
  - Collingwood URF LLC
  - Carlton URF LLC
  - St Kilda LLC
  - Melbourne LLC
  - Geelong LLC
  - NJ Penelope LLC
  - NRL URF LLC
  - NY Oakland LLC
  - Brisbane URF LLC
  - Essendon LLC
  - Fremantle LLC

- A guarantee given by Jett URF Holdings LLC and Kenny URF Holdings LLC, as Equity Owners of the borrowing entities listed above.

- A guarantee given by US Masters Residential Fund (USA) Fund

- US$6,192,156 (A$8,258,410) placed in interest, taxes, insurance and capex reserves (refer note 4(i)).

- A Deposit Account Control Agreement in respect of the Rent Deposit Account, a deposit account into which all tenant rent is received and which is swept daily by the loan servicer to cover interest and replenishment of required reserves.

The total value of the security at balance date in respect of the GA facility is $877,311,953 including property assets valued at $867,244,728.

The facility is subject to specific covenant and other reporting obligations. The facility is also subject to Event of Default clauses, breach of which at the option of the lender results in all unpaid principal and interest amounts being immediately due and payable.

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12. Borrowings *(continued)*

Unsecured Notes

All unsecured notes were repaid by balance date. Details of unsecured notes outstanding at the prior balance date are set out below:

Notes issue	Interest rate	Maturity date	Early redemption date at discretion of issuer	Security	30 Jun 2021 Amortised cost $	31 Dec 2020 Amortised cost $
URF Notes III	7.75%	24 December 2021	24 December 2019	Unsecured	-	16,418,515
					-	16,418,515

A summary of drawn and available facilities at balance date is shown below:

Facility	Principal drawn $	Principal available $	Total $
Global Atlantic	500,820,185	-	500,820,185
	500,820,185	**-**	**500,820,185**

13. Grant income

During 2020, the Group was eligible and received a forgiveable loan pursuant to the U.S. Government's COVID-19 stimulus program (Paycheck Protection Program). The Group received confirmation during the period that the conditions required for forgiveness of the loan were satisfied, and the loan has been forgiven in full.

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14. Capital and reserves

Issuance of ordinary units

In relation to the CPU distribution paid on 23 February 2021, 5,211,755 units were issued under the Group's Distribution Reinvestment Plan, for an amount of $1,146,584.

The total number of ordinary units issued as at 30 June 2021 was 390,422,997 (31 December 2020: 385,211,242).

15. Capital commitments

The Group had no capital commitments in respect of properties that are either under construction/refurbishment or are due to commence construction/refurbishment (2020: nil).

There are no further contributions contractually required to be made by the Group to any other jointly controlled entity.

16. Contingent liabilities

The Group is joint lessee of the premises located at 140 Broadway, New York, with E&P Financial Group USA Inc. (formerly Dixon Advisory USA Inc.). The Group is jointly and severally liable for all lease charges, and thus has a contingent liability in respect of E&P Financial Group USA Inc's share of future lease charges which are summarised below:

	30 Jun 2021 $	31 Dec 2020 $
Not later than one year	965,115	940,530
Later than one year and not later than five years	3,665,745	3,877,622
Later than five years	-	165,005
	4,630,860	4,983,157

The directors of the Responsible Entity are not aware of any other potential material liabilities or claims against the Group as at balance date.

17. Related parties

Key management personnel

Mr. Stuart Nisbett, Mr. Mike Adams, Mr. Warwick Keneally and Mr. Peter Shear are directors of the Responsible Entity, E&P Investments Limited and deemed to be key management personnel.

Mr. Kevin McAvey and Mr. Brian Disler are joint CEOs of the US REIT and are also deemed to be key management personnel.

Other than Mr. Kevin McAvey and Mr. Brian Disler, the key management personnel did not receive compensation from the Group during the period.

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17. Related parties *(continued)*

Payments made to the Responsible Entity and related parties

Management Fees	**2021**	**2020**
Responsible Entity fee (payable by the Fund) The Responsible Entity's duties include establishing the Group's compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Group and overall administration of the Group. For these services, the Responsible Entity charged a Responsible Entity fee of 0.08% (exclusive of GST) of the gross assets of the Fund and an administration fee of 0.25% (exclusive of GST) of the gross assets of the Fund. The amount owed to the Responsible Entity in respect of the responsible entity fee at 30 June 2021 is $265,646 (31 December 2020: $332,340).	$1,708,797	$2,357,859
Other services provided by the Responsible Entity and related parties of the Responsible Entity	**2021**	**2020**
Fund administration services (payable by the Fund) Australian Fund Accounting Services Pty Limited (a related party of the Responsible Entity) provides administration and accounting services to the Fund. Time spent by staff is charged to the Fund at agreed rates under a Services Agreement. Time spent by administrative staff is charged to the Fund at agreed rates under the agreement, capped at $120,000 (exclusive of unclaimable GST) per annum. This expenditure is included in Office Administration Costs in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.	$62,337	$60,784
Architecture, design and construction services (payable by the US REIT) At balance date, the renovation of the Group's portfolio has been completed. Dixon Projects LLC (a subsidiary of E&P Financial Group Limited, who is the parent entity of the Responsible Entity) provides architecture, design, and construction services to the Fund, including procurement and inventory management, permitting and approval process management and construction project management. Dixon Projects provides on-site project administration and management, overseeing and coordinating all aspects of the construction process, working closely with contractors to control quality and costs for the Group. These services are provided under the Property Services and the Design and Architectural Services Master Agreements. Under the terms of these agreements, Dixon Projects is entitled to charge a development fee of 5%, General Conditions fee of 15% and insurance fees of 1.25%. The fee in the current period includes $128,581 of General Conditions and insurance costs (30 June 2020: $986,463), a development fee of $44,783 (30 June 2020: $343,572), and architectural, quantity surveyor and interior design services of $nil (30 June 2020: $359,471) charged by Dixon Projects.	$173,364	$1,689,506

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US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2021

17. Related parties *(continued)*

Recoveries and recharges paid to (or received from) the Responsible Entity	**2021**	**2020**
Responsible Entity and E&P Financial Group USA Inc expense recharge (payable by the Fund and the US REIT)		
From time to time, the Group may share resources with E&P Financial Group USA, Inc and/or the Responsible Entity. Where this occurs, the Group may recover the costs of the resources.		
During the period, the Group recovered certain shared payroll and office related costs from E&P Financial Group USA, Inc and its subsidiaries. The total amount owed to the Group at 30 June 2021 is $62,479 (31 December 2020: $nil).	($194,745)	($82,770)
Pursuant to the agreements, the Responsible Entity is entitled to recover direct expenses incurred in the management of the Group's activities. These costs were in relation to various regulatory and professional services provided by external vendors and are recognised in 'Administrative costs' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.	$133,295	$151,966
Up until 31 May 2021, the office located at Harborside Financial Center, New Jersey was leased by E&P Financial Group USA, Inc. The Fund reimbursed E&P Financial Group USA, Inc for its share of the rental expense for the 5 months ended 31 May 2021, totalling $75,624 (6 months ended 30 June 2020: $69,994). From 1 June 2021, the Fund became lessee of the premises at Harborside Financial Center.	$75,624	$69,994
Consultancy services		
Effective 11 November 2019, the Responsible Entity of the Fund entered into an agreement with MA Law to provide advisory and transactional legal services, and legal consultancy services to the Responsible Entity and the investment schemes under its fiduciary. Mike Adams, a director of the Responsible Entity, is also a director of MA Law.	$16,007	$27,240
Total consulting fees incurred in respect to the Fund for the 6 months ended 30 June 2021 were $16,007 (30 June 2020: $27,240), exclusive of GST.		

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18. Controlled entities

E&P Investments Limited is the Responsible Entity of both the Fund and the US REIT.

		Ownership interest	
		30 Jun 2021	31 Dec 2020
Parent entity			
US Masters Residential Property Fund	Australia		
Subsidiary			
US Masters Residential Property (USA) Fund	United States	100%	100%
Melbourne LLC	United States	100%	100%
Wallaroo 2 LLC	United States	-	100%
EMU LLC	United States	100%	100%
Geelong LLC	United States	100%	100%
Hawthorn Properties LLC	United States	-	100%
North Sydney LLC	United States	-	100%
Parramatta LLC	United States	-	100%
South Sydney LLC	United States	-	100%
St Kilda LLC	United States	100%	100%
Canberra Raiders LLC	United States	-	100%
Newtown Jets LLC	United States	100%	100%
Morben Finance LLC	United States	100%	100%
Steuben Morris Lending LLC	United States	100%	100%
Morris Finance LLC	United States	100%	100%
Essendon LLC	United States	100%	100%
Carlton URF LLC	United States	100%	100%
Collingwood URF LLC	United States	100%	100%
New South Wales URF LLC	United States	-	100%
Freemantle URF LLC	United States	100%	100%
Richmond URF LLC	United States	-	100%
AFL URF LLC	United States	100%	100%
NRL URF LLC	United States	100%	100%
Grand Hill URF LLC	United States	-	100%
Balmain Tigers URF LLC	United States	-	100%
Newcastle URF LLC	United States	100%	100%
Canterbury URF LLC	United States	100%	100%
Manly Waringah URF LLC	United States	100%	100%
Penrith URF LLC	United States	100%	100%
NJ Prop 1 URF LLC	United States	-	100%
NY Prop 1 URF LLC	United States	-	100%
NY Prop 2 URF LLC	United States	-	100%
NY Prop 3 URF LLC	United States	-	100%
Brisbane URF LLC	United States	100%	100%
USM URF AT Holdings LLC	United States	100%	100%
USM Asset Trust	United States	100%	100%
TRS URF LLC	United States	100%	100%
W168 Investors LLC	United States	100%	100%
34 Astoria Investors LLC	United States	100%	100%
Essex URF LLC	United States	100%	100%
523 W. 135th Investors LLC	United States	100%	100%
NY Oakland LLC	United States	100%	100%
NJ Penelope LLC	United States	100%	100%
Jett URF Holdings LLC	United States	100%	100%
Kenny URF Holdings LLC	United States	100%	100%

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19. Subsequent events

A distribution of $3.10 per Convertible Preference Unit totalling $6,171,192 was declared on 8 June 2021 and was paid to unitholders on 25 August 2021. 5,511,432 units were issued under the Group's Distribution Reinvestment Plan.

While the Fund's results have to date proven to be resilient against the disruption and economic impacts caused by COVID-19, the impact on the Group's performance of future developments regarding the virus cannot be known as of reporting date.

Other than the matters discussed above, there has not arisen in the interval between the balance date and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Responsible Entity of the Fund, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

20. Operating segments

The Group operates solely in the business of investing in residential real estate assets associated with the New York metropolitan area in the United States of America. Revenue, profit, net assets and other financial information reported to and monitored by the Chief Operating Decision Maker (CODM) for the single identified operating segment are the amounts reflected in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows.

The Responsible Entity, which is the CODM for the purposes of assessing performance and determining the allocation of resources, operates and is domiciled in Australia.

US MASTERS RESIDENTIAL PROPERTY FUND
ARSN 150 256 161

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 30 JUNE 2021

The directors of the Responsible Entity for US Masters Residential Property Fund (the Group) declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of directors of the Responsible Entity made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Mr. Stuart Nisbett
Director

Dated this 31st day of August 2021

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Independent Auditor's Review Report to the Unitholders of US Masters Residential Property Fund

Conclusion

We have reviewed the half-year financial report of US Masters Residential Property Fund (the "Fund"), which comprises the condensed consolidated statement of financial position as at 30 June 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity of the Fund, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Responsible Entity of the Fund are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Haynes

David Haynes
Partner
Chartered Accountants
Sydney, 31 August 2021

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