US Masters Residential Property Group

3 April 2025

ASX Code: URF

US Masters Residential Property Group (Group)

General Meeting of US Masters Residential Property Group
Chair's Address

Good morning and welcome to this general meeting of the stapled entity US Masters Residential Property Fund (**URF I**) and US Masters Residential Property Fund II (**URF II**). Units of URF I and URF II are stapled together to form the US Masters Residential Property Group. These units are known as **Stapled Securities**.

My name is Stuart Nisbett. I am the Chair of US Masters Responsible Entity Limited, the responsible entity of the US Masters Residential Property Group. On behalf of the Board, it is my pleasure to welcome you to this meeting. I have been appointed as the Chair of this meeting.

The business of the meeting will include the receipt and consideration of the annual financial report of the Group for the financial year ended 31 December 2024 and centre around obtaining Securityholder approval to allow for the Responsible Entity to have the flexibility to undertake buybacks during the 12-month period from 4 April 2025, should market conditions support this.

The purpose of this meeting is for the Securityholders to consider, and if thought fit, approve the Buyback Proposal, whereby the Responsible Entity is seeking to obtain Securityholder approval to buy back a maximum of 25% of the number of Stapled Securities that the Group has on issue as at the close of trade on 2 April 2025 over the 12 months following that date, unless terminated earlier by the Responsible Entity.

The passing of the resolution will result in the Responsible Entity being able to buy back an amount up to 25% of the issued Stapled Securities in the Group as at the close of trade on 2 April 2025.

If the resolution is approved by the Securityholders, it is not guaranteed that the Responsible Entity will buy back the maximum number of Stapled Securities permitted under the Buyback Proposal or any Stapled Securities at all.

As of 4 March 2025, there were 690,882,004 Stapled Securities on issue. As there were no issuances or buybacks of Stapled Securities between 5 March 2025 and today's date, the number of Stapled Securities bought back (if approved today) could be up to 172,720,501 Stapled Securities.

The Responsible Entity considers that an on-market buyback is an effective option for returning any surplus capital to Securityholders and will enable URF to maintain an efficient capital structure.

As long as the on-market discount of Stapled Securities remains at a discount to their underlying value, the Responsible Entity believes that returning capital in the form of buybacks may be accretive for Securityholders as it could increase the Stapled Securities' value to the benefit of continuing Securityholders and provide liquidity to investors who sell into the Buyback.

Presentation of Financial Statements

To begin the meeting, we will first present the financial statements for the period ending 31 December 2024 for consideration. I will firstly note that all references are in Australian dollars unless otherwise stated. The annual financial report of the Group for the financial year ended 31 December 2024 together with the declaration of the Directors, the Directors' Report and the Auditor's Report are taken as tabled.

Operationally, General & Administrative, or G&A, expenses for the year remained steady at $12.7 million dollars, consistent with the 2023 calendar year. However, on a normalised basis, excluding one-off expenses, this represents a 5% reduction compared to the previous year, reflecting continued cost discipline.

Net Operating Income, or NOI, on a same-home basis for the 2024 calendar year was $9.4 million US-dollars, marking a 14% increase from 2023. This growth was primarily driven by strong rental increases. As previously communicated to investors, the Group has strategically encouraged vacancies by implementing rental increases, thereby enhancing the sales pipeline. When tenants accept these increases rather than vacate, the Group benefits from improved NOI on a same-home basis.

The Group's unadjusted Funds from Operations, or FFO, recorded a loss of $27.2 million dollars for 2024. However, when excluding disposal costs and one-off items, the adjusted FFO loss was reduced to $8.4 million dollars. As previously advised, the Group anticipates continued FFO losses as it progresses with asset sales. Holding costs, including property taxes and insurance, will persist while properties are marketed for sale, further impacting short-term financial results.

During the 2024 financial year, the fair value of our portfolio decreased by $12.8 million US-dollars, or 2.35%. Within this movement, the New Jersey Workforce segment saw a slight increase of 0.21%, the New Jersey Premium and New York Premium segments declined by 3.05% and 3.90%, respectively. Harlem experienced the most significant decrease within the New York Premium segment, with these asset values dropping by 10.56%.

Despite ongoing headwinds, including elevated mortgage rates, property prices in our target markets have remained relatively stable. Buyer demand continues to be steady, and our ability to achieve consistent sales, even in a challenging environment, demonstrates the resilience of our markets and the effectiveness of our strategy. As we continue with our asset sales program in 2025, we will closely monitor inventory levels to maximise sale prices.

Entering 2024, our joint venture with Brooksville remained fully committed to executing our asset sales programme, a cornerstone of our strategy to unlock value and return capital to our security holders efficiently. We set an ambitious sales target of $150 million US-dollars, which was nearly triple the $53.8 million US-dollars achieved in 2023, and were pleased to achieve total realised sales of $151 million US-dollars. This achievement underscores both the Board's and Brooksville's dedication to driving momentum and delivering value to investors.

As we transition into 2025, we remain focused on accelerating sales, with an increased target of $200-225 million US-dollars. While this remains a target rather than a forecast, it reflects our strong commitment to returning capital to security holders in a timely and efficient manner. The progress made in 2024 positions us well for the year ahead. As of the 1st of April 2025, we had visibility over approximately $198.4 million US-dollars in our sales pipeline, including:

- $48.1 million US-dollars in closed sales settled in the first quarter;
- $71.9 million US-dollars in assets under contract or with accepted offers;
- $31.6 million US-dollars in properties actively listed for sale; and
- $46.8 million US-dollars in assets soon to be listed.

Outside of the Brooksville joint venture, a key milestone was the successful completion of our US tax structure review. Following this, the trustees of US Masters Residential Property (USA) Fund ('US Vehicle') elected to reclassify it from a REIT to a Corporate (C-Corp) structure, adopting a formal plan of liquidation for US tax purposes.

While this change means the US Vehicle is now subject to US corporate taxes, it enables us to utilise historical losses to reduce taxable income from asset sales—an advantage not available under the REIT structure. Additionally, funds repatriated from the US to Australia will no longer incur withholding tax, providing a meaningful benefit to the Group. As a direct result, the Group's net deferred tax liability has been reduced from $40.2 million dollars to $3.5 million dollars, effective January 2025.

These structural changes do not impact the ongoing operations of our Australian entities or the Stapled Group as a whole but significantly enhance our ability to execute our strategy and maximise returns for investors.

As previously outlined, with the sales target of $150 million US-dollars achieved in 2024 and a target range of $200 to $225 million US-dollars for 2025, capital management of cash generated will focus on the Global Atlantic debt facility, security buybacks and distributions to Securityholders. The Group's capital allocation table on screen shows the Group's capital position as of the first quarter of 2025.

Whilst we continue to monitor the 2025 sales programme, the Board intends that proceeds from sales will be allocated towards distributions, security buybacks, and, depending on the availability of cost-effective refinancing opportunities, a full repayment of our Global Atlantic senior debt facility, which matures in May 2026. In relation to the Global Atlantic facility, the Group has had ongoing dialogue with Global Atlantic in the light of the sales strategy and has agreed to an amendment to vary the Tangible Net Worth covenant, subject to the loan agreement amendment being formally documented. As you will see on screen now, during the fourth quarter of 2024, the Group bought back 6.0 million stapled securities for a total consideration of $2.1 million dollars.

Reflecting the degree of caution the Board currently considers appropriate in terms of the US economic outlook and consequential risks to the sales targets, the Board has determined to make the payment of a 1 cent per stapled security distribution, payable in May. Future distributions will be determined as the level of sales continues to be monitored and the amount of available cash for distribution is determined with a decision made as to either the full repayment or the refinancing of the Global Atlantic senior debt facility.

The Board remains fully committed to maximising value for all URF investors. We strongly believe that continuing to execute our asset sales programme is the best path forward to achieving this goal.