

Executive Summary

US Student Housing Growth & Income Fund ('Fund') is an unlisted open-ended unit trust with a mandate to invest in off campus student housing at large four-year public universities across the United States.

The Fund was established to acquire and manage high-quality purpose-built student housing assets located within close proximity to top-tier public universities across the United States, and drive value through operational strategy and capital upgrades.

The Fund officially delisted at the close of trade on the 22nd of January 2024. As part of the delisting, the Fund has been renamed the **US Student Housing Growth & Income Fund** to better reflect the underlying strategy and to distinguish it from traditional listed REIT's which are majority income focussed.

Investment Summary

Investment Manager	Auctus Asset Management Pty Ltd
Asset Manager	Student Quarters LLC
APIR Code	ETL4596AU
Asset Class	Real Estate
Sector	US Student Housing
Properties Owned	9
Distributions	Quarterly
Applications	Quarterly
Redemptions¹	Annually
Net Tangible Assets (AUD)² ³	A\$1.55
Net Tangible Assets (USD)²	US\$1.05

¹ Commencing mid-2025 ² As at 31 December 2023 ³ AUD | USD 0.685

December Quarter Distribution

The Fund will be paying a December quarter distribution of US\$0.47 cents per unit (A\$0.72 cents per unit*), gross of US withholding tax, and a net cash distribution of US\$0.40 cents per unit (A\$0.61 cents per unit*). Payment of the distribution will be made at the conclusion of the Fund transition process (further information is provided later in the update). Payment Date: 29 February 2024 or once TIF documents are returned.

The distribution is net of holdbacks for value add and or repairs / maintenance works (e.g. 200 Edgewood requires repairs to a damaged lift at the cost of US\$44K).

Portfolio Valuations:

Assets in the portfolio are independently valued by CBRE on a 6-monthly basis, with the recent round of valuations occurring in December 2023. Despite the dramatic increase in interest rates the portfolio value was down 0.17% or US\$250K. The total portfolio value as at the end of December 2023 is US\$147.5M. The last traded price on the ASX was A\$1.05, a 47% discount to the 31 December 2023 NTA of A\$1.55. Each asset is valued independently and does not consider a lower cap rate for a scaled portfolio.

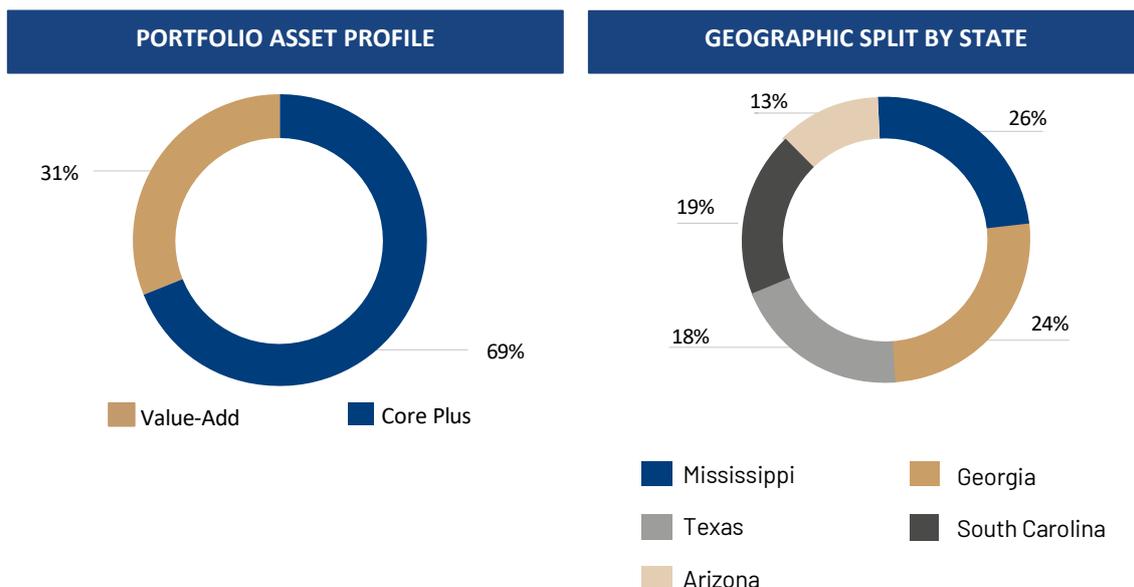
Auctus are extremely pleased with this outcome with rental increases outpacing the sharp increase in interest rates and cap rates rising 100 basis points. All being equal, a 100 basis point cap rate increase represents a theoretical reduction in asset values of 20%. Despite this, the assets have appreciated in value since the IPO in March 2022, up to US\$147.5M from US\$136.9M, underscoring both the broad strength of the US student housing sector and the effectiveness of Student Quarters ('SQ') as an asset acquirer and operator.

Current Portfolio

Portfolio occupancy across the 9 assets is currently 89.5% and pre-leasing for the 2024-25 Academic year is sitting at 52.6%. This is in line with the same period last year (which was a record across the sector for pre-leasing), with several properties again on target for double digit rent increases. SQ is currently forecasting rental increases across the portfolio of 9.7% for the 2024-25 Academic year.

Current Occupancy	Prelease AY 24/25	Prior Year (23/24) Prelease
89.5%	52.6%	55.7%

The Fund’s debt is 100% fixed with an average portfolio rate of 4.30%, average maturity of 9 years and portfolio LVR of 60% which is within the Fund’s target band of 60-65%. Current lending rates remain elevated at between ~6-6.5% with lower LVR’s (~55% max) offered by institutions.



Investment Strategy Unchanged

The investment objective of the Fund is to generate a 15% p.a. total return for unitholders over a three-to-five-year investment cycle, through a disciplined strategy of acquiring under-optimised operating assets, executing on a business plan to reposition them with a focus on Net Operating Income (NOI) growth, and then on-selling those assets for a capital gain.

Upon disposal some of the capital gain is expected to be paid to unitholders via special distributions with the balance of the proceeds being used to actively grow the portfolio. Through the holding period of those assets, it is expected unitholders will be paid regular income through quarterly distributions. This objective differs from many property strategies which focus primarily on paying unitholders income generated from stabilized assets that may experience underlying capital growth roughly in line with inflation but may be heavily impacted, positively or negatively, by the prevailing interest rate cycle.

In terms of growing the portfolio, SQ remain cautiously optimistic that the transaction markets will return as buyers and sellers understand and digest changing interest rates and cap rates and corresponding impacts on asset values. At an industry level, nearly \$4.5 billion worth of US student housing loans are expected to mature within the next two years⁴. These maturing loans may provide opportunities in student housing transaction volumes in 2024 and 2025.

⁴Walker & Dunlop Student Housing Report Fall 2023

Fund Transition

Auctus continue to work with the Fund's trustee Equity Trustees ('EQT') and the registry Boardroom to expedite the transition from the ASX.

As an unlisted Fund, Boardroom is required under legislation to collect Know Your Client (KYC) and Anti Money Laundering (AML) information and documents for all investors. **Boardroom will require this information before they can pass through the February distribution to investors.**

Please refer to the communication from Boardroom dated February 16 2024 for further information, and the accompanying Transfer Information Form.

About Auctus

Auctus Investment Group Limited ('Auctus') is an ASX listed global investment manager with in-excess of A\$530M Assets Under Management (AUM), focusing on opportunities across private equity, infrastructure and private real estate. Our core investment thesis is investing in sectors with strong tailwinds and potential to scale. Auctus provides access to these private market investments for wholesale, Family Office and sophisticated investors.

About Student Quarters

Student Quarters ('SQ') is an Atlanta based, specialist student housing asset manager founded in 2013 with a demonstrated track record of value generation. SQ manage in excess of US\$1.3bn across off-campus student housing, and 12,500+ beds. The team are highly experienced student housing owners with over 50 years of combined experience in underwriting, repositioning, managing, and disposing of quality student housing properties. SQ provides best in class operating and leasing experience for premier located, pedestrian friendly assets at major public Universities.

For all unitholder enquiries please contact the Fund's registry:

auctusinvest@boardroomlimited.com.au

IMPORTANT INFORMATION

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the US Student Housing Growth & Income Fund ("the Fund"). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

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US Student Housing Growth & Income Fund's Target Market Determination is available <https://usq-reit.com/important-information/>. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.