

US Student Housing Growth & Income Fund

INVESTOR UPDATE – JUNE 2024

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 (US), and drive value through operational strategy and capital upgrades.

Atlanta based, Student Quarters ("SQ"), the portfolio and are experienced owners and operators with a net realised IRR of 20.7% p.a. and 1.9x multiple* on money since inception.

The sector continues to attract significant institutional investment with fundamentals continuing to favour assets in our target market of top-tier, 4-year public universities that are part of the "Power-5" where enrolments continue to outperform. With a small pipeline of new construction, the supply and demand dynamics positions our portfolio well for strong investor returns over time.

June Quarter Distribution

The Fund will be paying a June quarter distribution of US\$0.0042 per unit (A\$0.0062 per unit**), gross of US withholding tax, and a net cash distribution of US\$0.0036 per unit (A\$0.0053 per unit**). Payment of the distribution will be made to all investors that have completed the **Transition Identification Form ('TIF')**. These distributions are net of "turn" costs (student move in / move outs), holdbacks for certain capital works along with capital management requirements. This included ~US\$180k for balcony repairs at University of Mississippi assets that are currently on the market, please refer below.

Payment Date: 30 August 2024 or once TIF documents are returned.

Asset Sales

As mentioned in the March quarter update, Auctus and SQ were exploring the sale of some of the assets in the portfolio. Since this time Berkadia has been appointed to execute these sales. To view the marketing material please click on the following link:

[University of Mississippi Four Property Portfolio](#)

Early indications are positive with over 60 interested parties. Final offers are due towards the end of August with an anticipated timeline for settlement around early November. SQ believe these sales could deliver investors a net IRR of ~25% p.a., well above the Fund's stated target.

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	A\$1.65
Net Tangible Assets (USD)²	US\$1.09

¹ Commencing mid-2025 ² As at 30 June 2024 ³ AUD | USD 0.6624

*As at 31 December 2023. Past performance is not an indicator of future performance

**AUD | USD FX rate 0.6767



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The use of the proceeds would include paying out a special distribution and reinvesting capital into new transactions. The timeline for potential completion would be the final quarter of 2024. We note that the sale is not guaranteed and will have further information in due course.

Deal Pipeline

Transaction activity in the Student Housing Sector is expected to increase through the remainder of 2024. According to Yardi Matrix¹, there have been 45 properties sold through July 2024 which matched the pace of 2023. Although transaction volume was limited through Q1 and Q2 when compared to a “normal” year, strong move-in rent rolls for fall 2024 coupled with anticipated interest rate cuts will lead to a greater number of owners bringing assets to market amongst expectations of a narrower bid-ask spread.

There are several large portfolios of assets currently on the market or expected to launch in the near-term; however, each of these are expected to be broken into multiple transactions with the typical buyers of US\$500M+ portfolios still on the sidelines. Individual asset sales are expected to make up the majority of executable activity. Pent-up demand for acquisition opportunities will lead to greater competition throughout the bidding process, but underwriting amongst competitors remains reasonable. Other trends include a continued consolidation of smaller operators into the larger, national platforms and an entrance of competitors historically focused on multifamily now looking to Student Housing for higher yields than currently available in their space.

Investment Strategy

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 there will be special distributions paid to unitholders with the balance of proceeds used to actively grow the portfolio. Throughout the holding period of 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 stabilised 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.

Current Portfolio

Portfolio occupancy across the 9 assets is currently 89.8% and pre-leasing for the 2024-25 Academic year is sitting at 89.7%. This is 0.1% ahead of pace 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 4.9% for the 2024-25 Academic year.

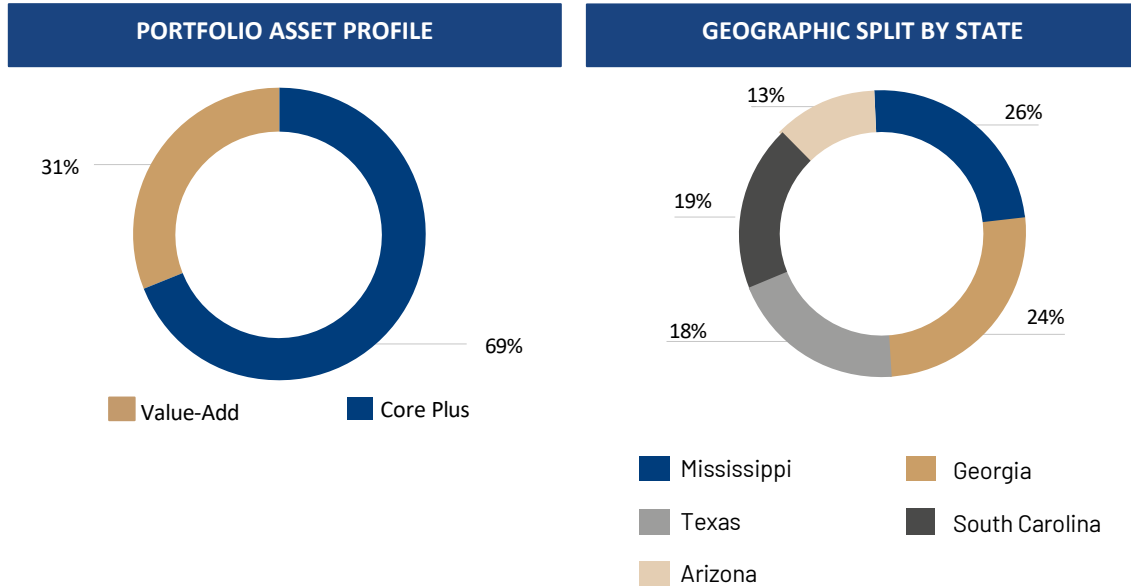
Current Occupancy	Prelease AY 24/25	Prior Year (AY 23/24) Prelease
89.8%	89.7%	89.6%

¹Yardi Matrix ‘National Student Housing Report’, August 2024

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The Fund's debt is 100% fixed with an average portfolio rate of 4.30%, average maturity of 9 years and portfolio LVR of 59% which is in line with 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.



Portfolio Valuations:

Assets in the portfolio are independently valued by CBRE on a 6-monthly basis, with the recent round of valuations occurring in June 2024. The total portfolio value as at the end of June 2024 is US\$149.65M up from US\$147.50M at 31 December 2023. The last traded price on the ASX was A\$1.05, a 57% discount to the 30 June 2024 NTA of A\$1.65. Each asset is valued independently and does not consider a lower cap rate for a scaled portfolio.

Since the IPO and the merge of the portfolio in March 2022, the portfolio valuation has increased to US\$149.65M from US\$136.90M, underscoring both the broad strength of the US student housing sector and the effectiveness of SQ as an asset acquirer and operator.

Distribution Payments waiting on Completion of Transition Forms

Some investors have yet to complete their Transition Identification Forms (TIF), with Boardroom now withholding their February & May distribution payments, and with the August distribution upcoming.

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 require this information before they are able to pass through distributions to each investor.**

For investors managing their holdings directly, and not through a platform, custodian or advisor - If you have not yet already, please refer to the accompanying Form and provide this and supporting documentation as soon as possible to BoardRoom at auctusinvest@boardroomlimited.com.au.

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Boardroom Investor Portal Access and Electronic Communications

Please register via the following link to access US Student Housing Growth & Income Fund holdings on Boardroom's online Portal <https://www.investorserve.com.au/>

Please ensure there is an email address linked to your account, and that you have selected email for all communication.

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

auctusinvest@boardroomlimited.com.au

About Auctus

Auctus Investment Group Limited ('Auctus') is an ASX listed global investment manager with in-excess of A\$540M 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\$1.5bn across off-campus student housing, comprising 36 assets, 14,000+ beds across 24 university markets. 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.

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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