



US
STUDENT
HOUSING
REIT

Clemson University
Memorial Stadium,
South Carolina



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This annual report covers US Student Housing REIT as an individual entity.

The Responsible Entity of US Student Housing REIT is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne VIC 3000.



Lofts on 8th | Tempe, AZ.

The directors of Equity Trustees Limited, the Responsible Entity of US Student Housing REIT (the "REIT"), present their report together with the financial statements of the REIT for the year ended 30 June 2023, on page 15 of this annual report.

The annual report is presented in the United States currency (US\$) unless otherwise noted.

The REIT invests in US student housing assets that aim to pay sustainable distributions with the potential for income and capital growth in accordance with the Product Disclosure Statement and the provisions of the REIT's Constitution.

While certain commercial real estate asset classes such as office and retail continue to suffer the lingering effects of the pandemic and subsequent volatility in the capital markets, US Student Housing continues to outperform from an occupancy, rental rate growth, and preleasing perspective. With a forward supply pipeline near historical lows and increasing investor demand for exposure to the sector, US Student Housing is well positioned to potentially outperform as an alternative real estate investment class.

The full report on page 15 is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by the Equity Trustees Limited's Board.



Philip D Gentry
Chairman

Dear Unitholder,

We are pleased to present US Student Housing REIT's Annual Report for FY23.

USQ is focused on providing a secure and growing income stream for its investors, while providing hard-to-access exposure to a diversified portfolio of properties geographically spread across the United States ('US').

USQ is managed by experienced investment manager, Auctus Investment Group (ASX: AVC) and US-based Student Quarters (SQ) as asset manager, a proven property management company in the US student housing market.

Aim to become a large scale owner of US student housing via a joint venture partnership between Auctus (investment manager) and Student Quarters (asset manager).



Luxury, lively, updated, convenient

200 Edgewood is your off-campus home in Atlanta, Georgia. 200 Edgewood welcomes students from nearby Georgia State, Spelman College, Morehouse College, Clark Atlanta University, or any surrounding colleges.



US\$147.75m

Portfolio

now valued at US\$147.75 million
(up from US\$144.6 million at 30 June 2022)

97%

Portfolio occupancy

across the portfolio for academic
year 2022-2023

USQ 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.

Investors will gain exposure to US student housing real estate, with the REIT the only Australian-listed property trust with a primary strategy in investing in US student housing.

The REIT is focused on seeking to achieve long-term returns through a combination of income through rental yields along with potential long-term capital growth.

FY23 Highlights and Achievements

- 97% portfolio occupancy;
- Rental increases for upcoming 2023-2024 academic year on track to exceed 8%;
- Completed valuation process from CBRE with the portfolio now valued at US\$147.75 million (up from US\$144.6 million at 30 June 2022); and
- Refinanced Clemson, enhancing the portfolio's long-term debt profile.

US Student Housing continues to outperform other real estate sectors from an occupancy, rental rate growth, and preleasing perspective.



Sector Overview

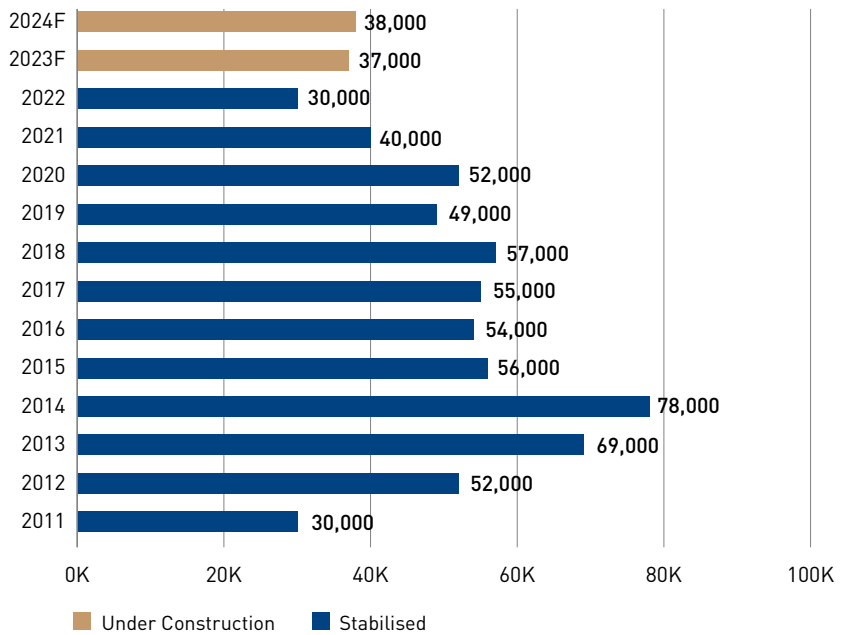
While certain commercial real estate asset classes such as office and retail continue to suffer the lingering effects of the pandemic and subsequent volatility in the capital markets, US Student Housing continues to outperform from an occupancy, rental rate growth, and preleasing perspective.

Sector Tailwinds and Outlook

US Student Housing posted its strongest year of transaction volume to-date in calendar year 2022, led by institutional investor demand for assets located near or adjacent to universities within the 'Power-5' college football markets throughout the United States that demonstrate consistent enrolment growth. Following last year's supply of 30,000 new beds, total incoming supply to be delivered throughout 2023 will again be below trend with approximately 40,000 beds coming online, making it the third lowest level since 2011¹.

With a forward supply pipeline near historical lows and increasing investor demand for exposure to the sector, US Student Housing is well positioned to potentially outperform as an alternative real estate investment class. USQ is well placed to take advantage of these strong sector tailwinds.

US Student Housing Supply – Beds



Source: Axiometrics/RealPage.



1. Newmark 2022 Student Housing Market Overview and 2023 Outlook.

Capitalisation Rates

A capitalisation rate ('cap rate') is a metric that the real estate investment sector uses to determine a property's yield at entry and at exit. A cap rate is calculated by taking the forward 12 months of net operating income ('NOI') and dividing this by a property's valuation. Lower cap rates indicate less risk in future cash flows, and thus, investors are willing to pay a higher valuation for a lower yield. The opposite is true for higher cap rates. Variability in the capital markets plays a large role in the compression or expansion of cap rates. During the pandemic and throughout 2021 and into 2022, both interest rates and loan-to-value ratios were extremely favourable for borrowers, and this subsequently led to higher valuations and lower cap rates as investors underwrote and executed sizable rent growth while maintaining strong occupancy and

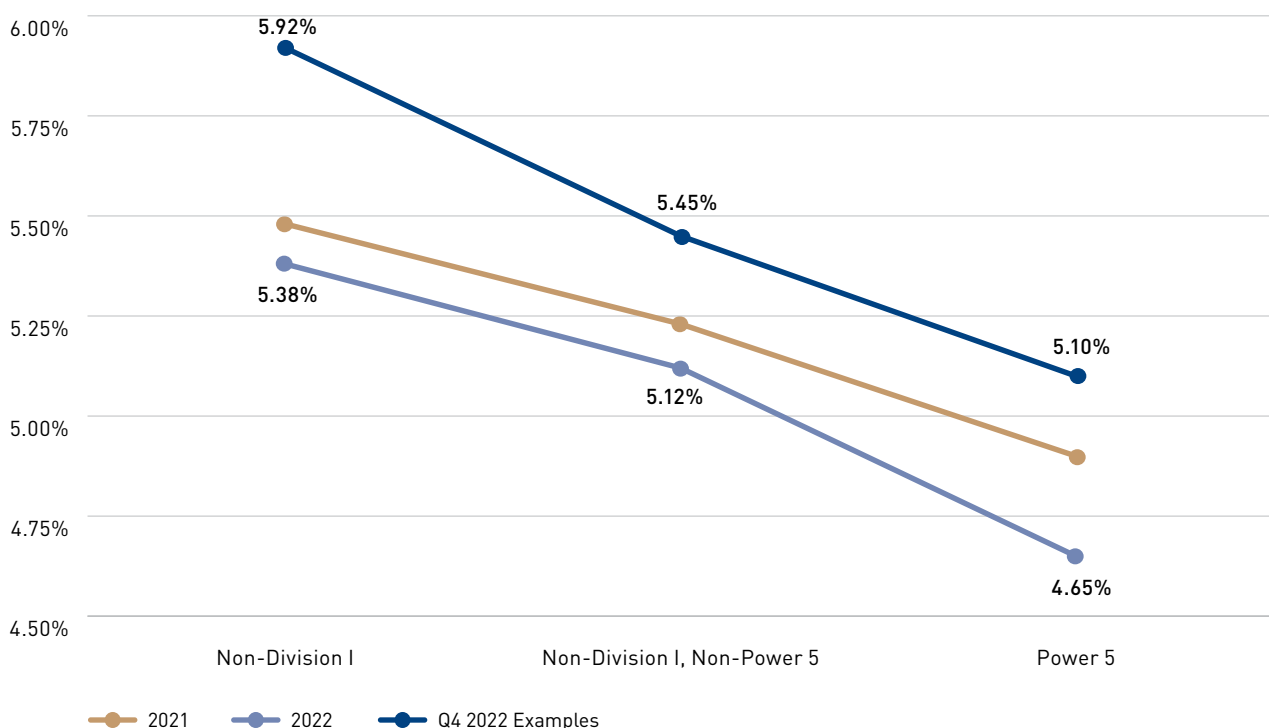
collections. As we saw in the second half of 2022 and into 2023, the cost of debt has rapidly increased, while loan-to-value ratios have decreased as lenders have tightened credit. Uncertainty in the capital markets and risk around future interest rate hikes and continued tightening of loan-to-value ratios for borrowers has led to a decrease in property valuations and subsequently the expansion of cap rates despite continued outperformance across the sector.

Student housing cap rates saw variability throughout 2022, with Q1 transactions of assets over \$2.5 million near all-time lows – transactions in this quarter averaged a 4.8% cap rate. The Q1 2022 average cap rate reflects a 68 basis point decrease over the 5-year average student housing cap rate. As buyers and sellers adjusted to rising interest rates, Q2 2022 saw a 50 basis point

increase in cap rates, with transactions throughout the quarter averaging 5.3%. Blackstone's acquisition of ACC at a 3.7% portfolio cap rate led to cap rate compression for Q3 2022 down to an average of 5.0%. Q4 2022 saw a similar expansion as in Q2 2022 – the transactions in this quarter averaged approximately 5.2%. Overall, student housing cap rates averaged 5.1% in 2022¹.

As expected, assets in 'Power-5' markets averaged the lowest cap rates as investors sought properties in high growth, name-brand universities across the United States with major sporting programs. In 2022, 'Power-5' conference universities traded 47 basis points lower on average than Division I, non-'Power-5' conference universities – this is the largest cap rate spread between the two categories since 2017².

Real-time Comparison of Cap Rates Based on University Football Conference



Source: CBRE National Student Housing.

1. Newmark 2022 Student Housing Market Overview and 2023 Outlook.
2. CBRE National Student Housing | MarketView 2022 Year-End Report.

Sector Overview (continued)

Rental Growth

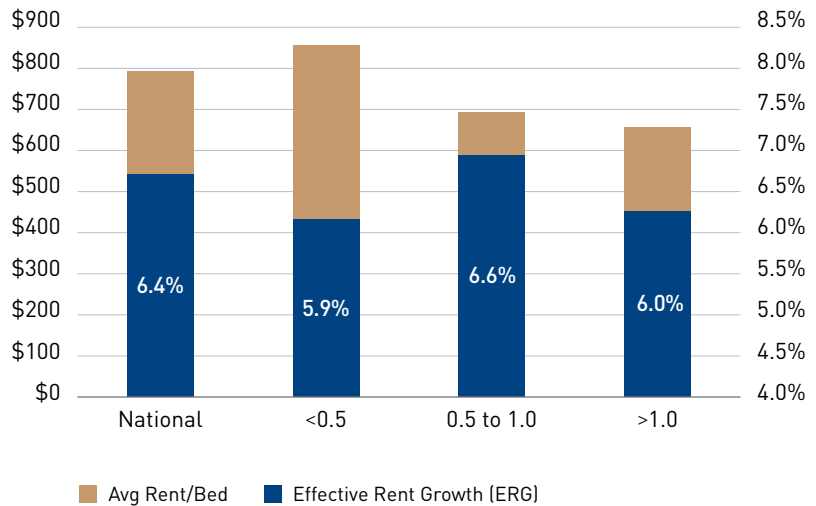
Per Newmark, effective rent growth (ERG) for the 2022-2023 academic year (AY) increased by 6.4% year-over-year (YoY) over the previous academic year. Properties between 0.5 miles and 1 mile of campus realised the highest increase in ERG for the 2022-2023 AY, with an average increase of 6.6%¹.

* Note for the same period the portfolio in the USQ REIT averaged rental growth of 8%.

National rent growth is being driven primarily by strong enrollment expansion at 'Power-5' Universities in addition to stagnant supply within these markets.

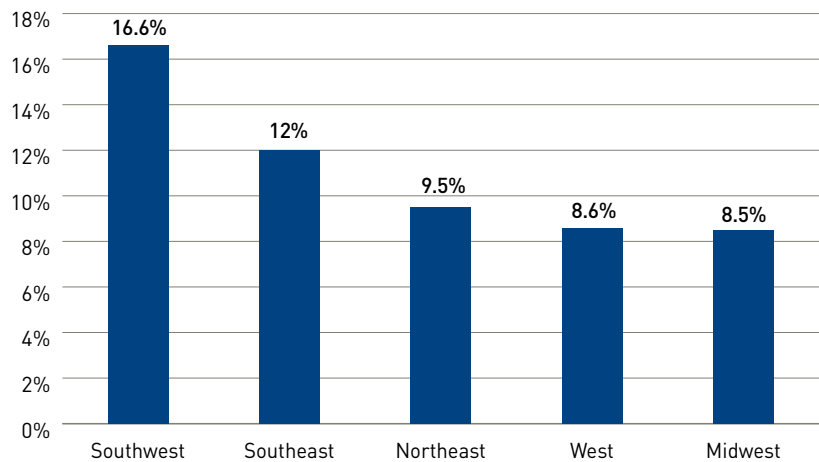
CBRE and College House has stated that year-over-year rental growth has been approximately 10.7% for the upcoming 2023-2024 AY, with the southwest region leading the country's rental growth at 16.6% year-over-year². Evidence of the region's robust rental growth for the coming academic year is exhibited by USQ's Arizona State asset, Lofts on 8th, which is 100% preleased for the upcoming 23-24 AY while achieving 17.5% rental rate growth over current AY leases.

Rent Metrics by Distance from Campus (in Miles)



Source: Axiometrics/RealPage.

Year-over-year Rent Growth by Region



Source: College House.

1. Newmark 2022 Student Housing Market Overview and 2023 Outlook.
 2. CBRE Year End 2022 Student Housing Review | 22 February 2023.

Over the course of FY23, rising interest rates and uncertainty in capital markets saw an expansion in cap rates in the portfolio from a weighted average of 4.89% at 30 June 2022 to 5.44% at 30 June 2023. Despite this, strong portfolio occupancy of 97%, combined with rental growth rates of 8.0% for Academic Year 2022-2023, supported quarterly distributions and saw the gross value of the REIT increase to US\$147.75 million at 30 June 2023 (up from US\$144.6 million at 30 June 2022).

Strong Pre-Leasing

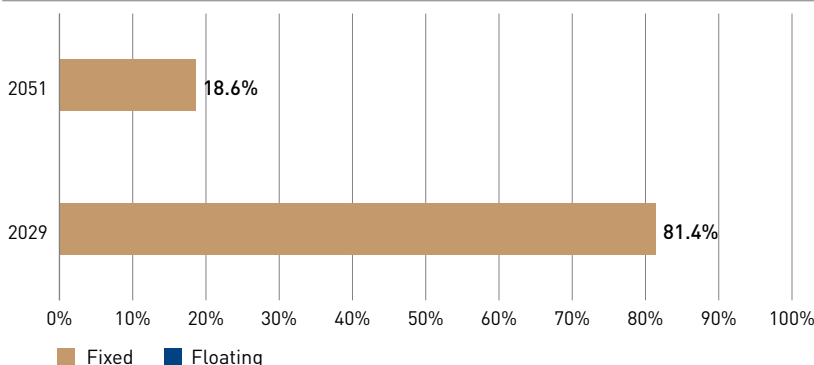
As at 30 June the portfolio was 77.3% pre-leased. Student Quarters' operational team achieved this strong pre-leasing along with forecasted annual rental increases of approximately 8.5% (prior year 8.2%) across the 9 assets in the portfolio. Lofts on 8th (Arizona State University) achieved 100% pre-leasing with a 17.5% annual rental increase. These levels of rental increases highlight the portfolio's ability to provide a hedge to inflation, and the ongoing heightened enrolment demand and supply shortfalls in off-campus accommodation.

Asset Refinance and Debt Summary

During the June quarter, USQ refinanced the Clemson asset debt at a fixed rate of 6.40% p.a. for 7 years.

The portfolio now has a long-term average maturity of over 9.69 years with 100% of the portfolio having fixed-rate debt facilities.

Maturity profile²



The weighted average portfolio interest rate is 4.30%, with 10.14 months of interest – only remaining.

At 30 June the portfolio LVR sat at 59.7%* which is just under the portfolio target band of 60-65% which SQ believe is the optimal level for the sector to enable USQ to generate strong risk-adjusted returns for unitholders. Typical Student Housing LVR's in the United States are around 60-70% with USQ's strategy on the conservative side.

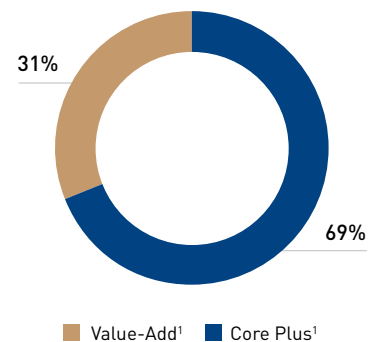
SQ uses a mix of bank funding and agency loans from lenders such as Fannie Mae, Freddie Mac and Department of Housing & Urban Development (HUD) and are typically non-recourse.



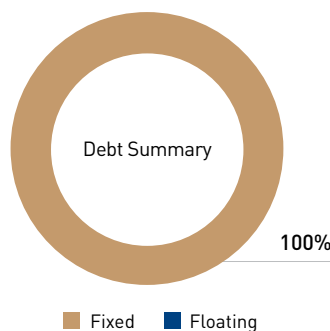
Portfolio Diversification

The portfolio is diversified across five states covering six universities. No State represents more than 30% of the portfolio's market value, with Georgia and Mississippi the largest exposures at 25% respectively. Arizona is currently the smallest exposure with SQ looking at new acquisition opportunities here to increase exposure to one of the leading student housing markets. In addition, SQ are looking to add further assets in target states to further enhance the portfolios diversification.

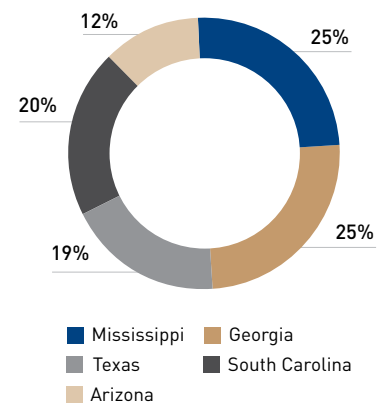
Portfolio Asset Profile



Debt type



Geographic Split by State



* Excluding REIT cash.

1. Please refer to USQ's Product Disclosure Statement for additional details on asset types.
2. One property has debt maturing in 2051 and the rest are 2029.

USQ provides hard-to-access exposure to a diversified portfolio of properties geographically spread across the United States ('US').



US\$147.75m

Portfolio

the portfolio now valued at US\$147.75 million
(up from US\$144.6 million at 30 June 2022)



ASSET: Lofts on 8th*
UNIVERSITY: Arizona State University
VALUATION (US\$): 17,900,000
NO. OF BEDS: 112

1,253

Beds

weighted average capitalisation
rate of 5.44%



ASSET: West 100
UNIVERSITY: University of Mississippi
VALUATION (US\$): 5,500,000
NO. OF BEDS: 60



ASSET: 607 South
UNIVERSITY: University of Mississippi
VALUATION (US\$): 5,900,000
NO. OF BEDS: 52



ASSET: District at Clemson
UNIVERSITY: Clemson University
VALUATION (US\$): 28,850,000
NO. OF BEDS: 245



ASSET: 200 Edgewood
UNIVERSITY: Georgia State University
VALUATION (US\$): 36,900,000
NO. OF BEDS: 254



ASSET: The Edge
UNIVERSITY: Texas Tech University
VALUATION (US\$): 27,500,000
NO. OF BEDS: 288



ASSET: Balcony MSU
UNIVERSITY: Mississippi State University
VALUATION (US\$): \$12,100,000
NO. OF BEDS: 116



ASSET: Village Walk
UNIVERSITY: University of Mississippi
VALUATION (US\$): 6,500,000
NO. OF BEDS: 54



ASSET: Traditions
UNIVERSITY: University of Mississippi
VALUATION (US\$): 6,600,000
NO. OF BEDS: 72

Portfolio Overview (continued)

Portfolio Summary

Asset	University	Valuation GAV	No. of Beds	Cap Rate	Built/Reno	Asset Profile
The Edge	Texas Tech University	\$27,500,000	288	5.25	2009	Value-Add
District at Clemson	Clemson University	\$28,850,000	245	5.25	2016	Core Plus
Lofts on 8th	Arizona State University	\$17,900,000	112	5.25	2020	Value-Add
Balcony MSU	Mississippi State University	\$12,100,000	116	5.50	2016	Core Plus
607 South	University of Mississippi	\$5,900,000	52	5.75	2014	Core Plus
West 100	University of Mississippi	\$5,500,000	60	5.75	2015	Core Plus
Traditions	University of Mississippi	\$6,600,000	72	5.75	2016	Core Plus
Village Walk	University of Mississippi	\$6,500,000	54	5.75	2016	Core Plus
200 Edgewood	Georgia State University	\$36,900,000	254	5.60	2016	Core Plus

All figures in USD unless otherwise stated.



The Edge is a property adjacent to Texas Tech University. The property is located in Lubbock, West Texas. With a population of just over a quarter-million people, Lubbock is a remote city surrounded by the Great Plains, with its closest neighbours of any size: Amarillo, Abilene and Roswell, N.M. a two to three-hour drive away. The Edge is a 2009-built garden style community northwest of campus with 204 units and 288 beds. Possessing a highly attractive unit mix (40% one-bedrooms; 60% two bedrooms) all offering bed-bath parity which is not widely available elsewhere in this submarket. Located across the road from Texas Tech's regional/teaching hospital, medical complex, and health sciences buildings The Edge is adjacent to the recently completed 94,000 square feet Veteran Affairs super clinic and close to downtown bars and restaurants.



Property Information	
Asset Name	The Edge
University	Texas Tech University
Enrolment	40,000
Ownership	90%
Fair Market Value	\$27,500,000
Pre-Leasing as at 7 July 2023	66.9%
Number of Beds	288
Cap Rate	5.25
Year Built	2009

Pro-Forma Asset Details



District at Clemson Portfolio is a 245-bed purpose-built, student housing community serving Clemson University (Clemson) and its roughly 26,400 students. Located in Clemson, South Carolina and roughly 1 mile from the Northern side of campus, the District Clemson Portfolio was delivered in 2016, apart from 109 College, which was delivered in 1992, with 5 units renovated in 2016. The property offers 1-, 3-, and 4-bedroom floorplans all with bed bath parity.



Property Information	
Asset Name	District at Clemson
University	Clemson University
Enrolment	26,000
Ownership	95%
Purchase Price	\$28,850,000
Pre-Leasing as at 7 July 2023	100%
Number of Beds	245
Cap Rate	5.25
Year Built	2016



200 Edgewood is located in downtown Atlanta within walking distance to the Georgia State University (GSU) campus, destination nightlife, and Atlanta's commercial and cultural district. The asset is a short two-block (0.3 mile) walk from the GSU campus centre, including academic buildings, dormitories, and student centres. Additionally, it is located in the epicenter of the rapidly evolving Downtown Atlanta. Historically a commercial district, rising popularity and housing costs of proximate neighbourhoods and GSU's campus expansion have made Downtown Atlanta a go-to nightlife, dining, and housing destination, not only for GSU students, but also millennial Atlantans more broadly.



Property Information	
Asset Name	200 Edgewood
University	Georgia State University
Enrolment	52,000
Ownership	100%
Fair Market Value	\$36,900,000
Pre-Leasing as at 7 July 2023	44.14%
Number of Beds	254
Cap Rate	5.60
Year Built	2016

Portfolio Overview (continued)



The University of Mississippi ("Ole Miss") assets (Traditions, Village Walk, West 100 and 607 South) consist of four boutique garden style and townhome apartments with a combined total of 238 beds. Three of the four assets are located to the east of campus close to nightlife and dining in the Oxford town centre known as "The Square". All units offer bed bath parity, granite countertops, modern appliances, a flatscreen television and hardwood floors in common areas. West 100 also includes rising glass walls in the living areas which allow for an indoor/outdoor living experience.



Property Information	
Asset Name	Traditions
University	University of Mississippi
Enrolment	24,000
Ownership	100%
Fair Market Value	\$6,600,000
Pre-Leasing as at 7 July 2023	100%
Number of Beds	72
Cap Rate	5.75
Year Built	2016

Property Information	
Asset Name	Village Walk
University	University of Mississippi
Enrolment	24,000
Ownership	100%
Fair Market Value	\$6,500,000
Pre-Leasing as at 7 July 2023	100%
Number of Beds	54
Cap Rate	5.75
Year Built	2016



Property Information	
Asset Name	West 100
University	University of Mississippi
Enrolment	24,000
Ownership	100%
Fair Market Value	\$5,500,000
Pre-Leasing as at 7 July 2023	93.3%
Number of Beds	60
Cap Rate	5.75
Year Built	2015

Property Information	
Asset Name	607 South
University	University of Mississippi
Enrolment	24,000
Ownership	100%
Fair Market Value	\$5,900,000
Pre-Leasing as at 7 July 2023	100%
Number of Beds	52
Cap Rate	5.75
Year Built	2014



The Balcony MSU (Starkville) is a four-story, 116 bed, garden style apartment located within walking distance to campus. The property has a premium location between the student nightlife district (Cotton District), downtown Starkville and the university. This location (along with unique unit features discussed below) provide The Balcony with a major competitive leasing advantage.



Property Information	
Asset Name	Balcony MSU (Starkville)
University	Mississippi State University
Enrolment	23,000
Ownership	100%
Fair Market Value	\$12,100,000
Pre-Leasing as at 7 July 2023	93.1%
Number of Beds	116
Cap Rate	5.50
Year Built	2016

Portfolio Overview (continued)



Lofts on 8th is a 112-bed, 28-unit purpose-built, student housing town home community serving Arizona State University (ASU) and its roughly 75,000 students. Located in Tempe, AZ and less than 0.5 miles from the east side of campus, Lofts was delivered in 2020. The property offers 4-bedroom town homes all with bed-bath parity.



Property Information	
Asset Name	Lofts on 8th
University	Arizona State University
Enrolment	75,000
Ownership	99%
Fair Market Value	\$17,900,000
Pre-Leasing as at 7 July 2023	100%
Number of Beds	112
Cap Rate	5.25
Year Built	2020





US
STUDENT
HOUSING
REIT

Financial Report

For the year ended 30 June 2023



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Directors' Report

The directors of Equity Trustees Limited, the Responsible Entity of US Student Housing REIT (the "REIT"), present their report together with the financial statements of the REIT for the year ended 30 June 2023.

The annual reports are presented in the United States currency (US\$) unless otherwise noted.

Principal activities

The REIT invests in US student housing assets that aim to pay sustainable distributions with the potential for income and capital growth in accordance with the Product Disclosure Statement and the provisions of the REIT's Constitution.

The REIT did not have any employees during the year ended 30 June 2023 (30 June 2022: nil). The various service providers for the REIT are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Auctus Asset Management Pty Ltd
Custodian, Administrator and Registrar	Mainstream Fund Services Pty Ltd (an Apex Group Company)
Statutory Auditor	BDO Audit Pty Ltd

Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the year and up to the date of this report:

Philip D Gentry	Chairman
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	
David B Warren	(appointed 6 March 2023)
Samantha Einhart	Company Secretary

Review and results of operations

During the year, the REIT continued to invest its funds in accordance with the Product Disclosure Statement and the provisions of the REIT's Constitution.

The REIT performance was 7.80% (net of fees) for the year ended 30 June 2023 (2022: 5.41% net of fees). The REIT does not operate against a benchmark.

The return achieved by the Fund for the reporting period is calculated as the percentage movement in NAV/units on issue from 30 June 2022 to 30 June 2023.

The performance of the REIT, as represented by the results of its operations, was as follows:

	Year ended 30 June 2023	Year ended 30 June 2022
Profit for the year (US\$'000)	4,368	3,075
Distributions paid (US\$'000)	2,223	461
Distributions (cents per unit)	4.0023	1.4059

US Student Housing REIT ("USQ", "the REIT") 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 REIT is focused on seeking to achieve long-term returns through a combination of income through rental yields along with potential long-term capital growth.

Over the course of Financial Year 2023, rising interest rates and uncertainty in capital markets saw an expansion in cap rates in the portfolio from a weighted average of 4.89% at 30 June 2022 to 5.44% at 30 June 2023. Despite this, strong portfolio occupancy of 97%, combined with rental growth rates of 8% for Academic Year 2022-2023, supported quarterly distributions and saw the gross value of the REIT increase to US\$147.75 million at 30 June 2023 (up from US\$144.6 million at 30 June 2022).

While certain commercial real estate asset classes such as office and retail continue to suffer the lingering effects of the pandemic and subsequent volatility in the capital markets, the US student housing sector continues to outperform from an occupancy, rental rate growth, and pre-leasing perspective. With a forward supply pipeline near historical lows and increasing investor demand for exposure to the sector, US student housing is well positioned to potentially outperform as an alternative real estate investment class.

Significant changes in the state of affairs

David B Warren was appointed as a director of Equity Trustees Limited on 6 March 2023.

In the opinion of the directors, there were no other significant changes in the state of affairs of the REIT that occurred during the financial year.

Matters subsequent to the end of the financial year

On 15 August 2023, Directors announced a gross distribution of 0.76 (US\$) cents per ordinary unit. The record date was 22 August 2023 and payment date will be 30 August 2023.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may have a significant effect on:

- i. the operations of the REIT in future financial years; or
- ii. the results of those operations in future financial years; or
- iii. the state of affairs of the REIT in future financial years.

Likely developments and expected results of operations

The REIT will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Constitution.

The results of the REIT's operations will be affected by a number of factors, including the performance of investment markets in which the REIT invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Units under option

There were no unissued ordinary units of the REIT under option outstanding at the date of this report.

Units issued on the exercise of options

There were no ordinary units of the REIT issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the REIT in regards to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Trust Deed and the Law, the officers remain indemnified out of the assets of the REIT against losses incurred while acting on behalf of the REIT.

Indemnity and insurance of auditor

The REIT has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the REIT or any related entity against a liability incurred by the auditor.

During the financial year, the REIT has not paid a premium in respect of a contract to insure the auditor of the REIT or any related entity.

Fees paid to and interests held in the REIT by the Responsible Entity and its associates

Fees paid to the Responsible Entity and its associates out of the REIT during the year are disclosed in Note 15 to the financial statements.

No fees were paid out of the REIT to the directors of the Responsible Entity during the year.

The number of interests in the REIT held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 15 to the financial statements.

Interests in the Fund

The movement in units on issue in the REIT during the year is disclosed in Note 6 to the financial statements.

The value of the REIT's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Proceedings on behalf of the REIT

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the REIT, or to intervene in any proceedings to which the REIT is a party for the purpose of taking responsibility on behalf of the REIT for all or part of those proceedings.

Environmental regulation

The operations of the REIT and the tenants are subject to US government environmental legislation. Environmental surveys are undertaken on each asset in the portfolio as part of any sale, purchase, or debt refinance activity. Please refer to the Risk section in the original PDS for further information.

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand US dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by the Equity Trustees Limited's Board.



Philip D Gentry
Chairman

Melbourne
28 August 2023

Corporate Governance Statement

Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975) in its capacity as a responsible entity ("Responsible Entity") of the US Student Housing REIT ("the REIT"), has established a corporate governance framework which sets out the rules, relationships, systems and processes within which the Responsible Entity operates to promote investor confidence and good corporate governance.

Refer to the URL below to download the Statement which is located on the Investment Manager's website:
<https://usq-reit.com/important-information/>

Auditor's Independence Declaration



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Australia

DECLARATION OF INDEPENDENCE BY SALIM BISKRI TO THE UNITHOLDERS OF US STUDENT HOUSING REIT

As lead auditor of US Student Housing REIT for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of US Student Housing REIT and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Salim Biskri', with a long horizontal stroke extending to the right.

Salim Biskri
Director

BDO Audit Pty Ltd

Melbourne, 28 August 2023

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Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	Year ended	
		30 June 2023 US\$'000	30 June 2022 US\$'000
Investment income			
Net gains/(losses) on financial instruments at fair value through profit or loss		3,194	6,617
Distributions income		2,724	595
Total investment income/(loss)		5,918	7,212
Expenses			
Transaction costs for acquisition of investment		–	2,824
Establishment and structuring costs		–	248
Management fees	15	877	545
Professional fees		275	436
Other expenses		62	28
Withholding tax expense		336	56
Total expenses		1,550	4,137
Profit/(loss) for the year		4,368	3,075
Other comprehensive income		–	–
Total comprehensive income for the year		4,368	3,075
Basic and diluted earnings per unit (cents per unit)	7	7.86	5.54

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2023

	Note	As at	
		30 June 2023 US\$'000	30 June 2022 US\$'000
Assets			
Cash and cash equivalents	10	916	1,948
Receivables	12	7	36
Financial assets at fair value through profit or loss	5	57,905	54,711
Total assets		58,828	56,695
Liabilities			
Payables	13	107	73
Total liabilities		107	73
Net assets attributable to unit holders – equity	6	58,721	56,622

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2023

	Note	As at	
		30 June 2023 US\$'000	30 June 2022 US\$'000
Total equity at the beginning of the financial year		56,622	12,793
Comprehensive income for the financial year			
Profit/(loss) for the year		4,368	3,075
Other comprehensive income		-	-
Total comprehensive income		4,368	3,075
Transactions with unit holders			
Applications (net of transaction costs)	6	-	41,185
Currency translation reserve		(46)	30
Distributions paid and payable	9	(2,223)	(461)
Total transactions with unit holders		(2,269)	40,754
Total equity at the end of the financial year		58,721	56,622

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2023

	Note	As at	
		30 June 2023 US\$'000	30 June 2022 US\$'000
Cash flows from operating activities			
Management fees paid		(877)	(545)
Transaction costs paid		-	(2,826)
Establishment and structuring costs paid		-	(248)
Professional fees paid		(275)	(408)
Withholding tax paid		(336)	(56)
Other expenses paid		(69)	(156)
Distribution income received		2,724	595
Other income received		-	127
Net cash inflow/(outflow) from operating activities	11(a)	1,167	(3,517)
Cash flows from investing activities			
Payments for purchase of financial assets at fair value through profit or loss		-	(18,994)
Net cash inflow/(outflow) from investing activities		-	(18,994)
Cash flows from financing activities			
Proceeds from applications by unit holders		-	22,217
Distributions paid		(2,223)	(461)
Payment for equity raising costs		-	(1,439)
Net cash inflow/(outflow) from financing activities		(2,223)	20,317
Net increase/(decrease) in cash and cash equivalents		(1,056)	(2,194)
Cash and cash equivalents at the beginning of the year		1,948	4,373
Effect of foreign currency exchange rate changes on cash and cash equivalents		24	(231)
Cash and cash equivalents at the end of the year	10	916	1,948

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

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1. General information

These financial statements cover US Student Housing REIT (the "REIT") and its subsidiaries. The REIT is an Australian registered managed investment scheme which was constituted on 29 July 2020 and will terminate in accordance with the provisions of the REIT's Constitution or by Law.

The Responsible Entity of the REIT is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the United States currency (US\$) unless otherwise noted.

The REIT was listed on the Australian Securities Exchange (ASX) on 8 March 2022 and is quoted under ticker code: USQ.

The REIT invests in US student housing assets that aims to pay sustainable distributions with the potential for income and capital growth in accordance with the Product Disclosure Statement and the provisions of the REIT's Constitution.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The REIT is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

i. Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the REIT also comply with IFRS as issued by the International Accounting Standards Board (IASB).

ii. New and amended standards adopted by the REIT

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2. Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

iii. New standards issued but not yet effective

The following new/amended accounting standards and interpretations have been issued but are not mandatory for financial years ended 30 June 2023. They have not been adopted in preparing the financial statements for the year ended 30 June 2023 and are expected to impact the REIT in the period of initial application. In all cases the REIT intends to apply these standards from application date as indicated in the table below.

ASB reference	Title and Affected Standard(s):	Nature of Change
AASB 2021-2 (issued March 2021)	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	<p>Only 'material' accounting policy information must be disclosed in the financial statements, i.e. if it relates to material transactions, other events or conditions and:</p> <ul style="list-style-type: none"> – The entity has changed its accounting policy during the period – There are one or more accounting policy options in Accounting Standards – The accounting policy was developed applying the hierarchy in AASB 108 because there is no specific IFRS dealing with the transaction – Significant judgement was required in applying the accounting policy <p>The accounting is complex, e.g. more than one IFRS applies to the transaction.</p>

None of these are expected to have a material effect on the financial statements of the REIT.

2. Summary of significant accounting policies (continued)

b. Financial instruments

i. Classification

- Financial assets.

The REIT classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The REIT classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The REIT's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the REIT's documented investment strategy. The REIT's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The REIT includes equity instruments which are investments in subsidiaries. In accordance with the exception under AASB 10, the REIT does not consolidate subsidiaries in the financial statements unless the subsidiary is not itself an investment entity and its main purpose and activities are providing services that relate to the REIT's investment activities. At 30 June 2023, the Responsible Entity has determined the REIT qualifies as an investment entity due to the following factors:

- The REIT obtains and manages funds for the purpose of providing investors of the Fund with investment management services;
- The REIT's business purpose is to gain from appreciation in value of its investments; and
- The REIT's investments are managed and performance is evaluated on a fair value basis.

2. Summary of significant accounting policies (continued)

b. Financial instruments (continued)

i. Classification (continued)

Financial assets measured at fair value through profit or loss (FVPL) (continued)

The REIT has the following subsidiaries at 30 June 2023:

Subsidiaries	Place of business	Percentage of interest
SQ Property Opportunities Holdco, LLC	United States	100%
SQPO The Edge, LLC	United States	100%
SQPO Clemson Living, LLC	United States	100%
SQPO Edgewood, LLC	United States	100%
SQPO Chisholm, LLC	United States	100%
SQPO Arizona State, LLC	United States	100%

Financial liabilities

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (custody and administration fees payable, trustee fees payable, audit fees payable).

ii. Recognition and derecognition

The REIT recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the REIT has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

iii. Measurement

Financial instruments at fair value through profit or loss

At initial recognition, the REIT measures a financial asset and a financial liability at its fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in fair value of 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents and receivables are carried at amortised cost.

2. Summary of significant accounting policies (continued)

b. Financial instruments (continued)

iv. Impairment

At each reporting date, the REIT shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents, due from broker and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the REIT shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the REIT expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

c. Net assets attributable to unit holders

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders.

The REIT is an Australian registered managed investment scheme and is not subject to redemptions.

The REIT's units are classified as equity as they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the REIT's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

2. Summary of significant accounting policies (continued)

d. Fair value measurement

The REIT measures its investments in financial instruments, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the REIT.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income capitalisation approach (i.e. the annual net operating income of the underlying investee property is capitalised at an appropriate market yield to arrive at the property's market value).

For assets and liabilities that are measured at fair value on a recurring basis, the REIT identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the beginning of each reporting period.

e. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as tradings of these securities represents the REIT's main income generating activity.

f. Investment income

i. Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the REIT estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses.

Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2b to the financial statements.

ii. Distributions

Distribution income is recognised on the distribution date with any related foreign withholding tax recorded in the statement of comprehensive income. The REIT currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

Trust distributions are recognised on an entitlement basis.

2. Summary of significant accounting policies (continued)

g. Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

h. Income tax

Under current legislation, the REIT is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders.

The REIT currently incurs withholding taxes imposed by certain countries on investment income and capital gains.

i. Distributions

The REIT may distribute its distributable income, in accordance with the REIT's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income.

j. Foreign currency translation

i. Functional and presentation currency

Balances included in the REIT's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the United States dollar, which reflects the currency of the economy in which the REIT competes for funds and is regulated. The United States dollar is also the REIT's presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The REIT does not isolate that portion of gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains/(losses) on financial instruments at fair value through profit or loss.

k. Receivables

Receivables may include amounts for interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

2. Summary of significant accounting policies (continued)

l. Payables

Payables include liabilities, accrued expenses owed by the REIT and any distributions declared which are unpaid as at the end of the reporting period.

A separate distributions payable is recognised in the statement of financial position.

m. Applications and redemptions

Applications received for units in the REIT are recorded net of any entry fees payable prior to the issue of units in the REIT.

Each unit represents a right to an individual share in the REIT and does not extend to a right in the underlying assets of the REIT. In addition, the unit holders have no right to a request for a redemption of the units and the REIT does not have an obligation to purchase, re-purchase or redeem any unit.

n. Goods and services tax (GST)

The GST incurred on the costs of various services provided to the REIT by third parties such as management, administration and custodian services where applicable have been passed on to the REIT. The REIT qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 95.5%. Hence fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

o. Use of estimates and judgements

The REIT makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Certain financial instruments, for example unquoted investments, are fair valued using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

For majority of the REIT's financial instruments, quoted market prices are readily available.

For more information on how fair value is calculated please refer to Note 4 to the financial statements.

p. Rounding of amounts

The REIT is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand United States dollars unless otherwise indicated.

3. Financial risk management

The material financial risks to which the REIT is exposed through its activities are market risk (including price risk) and liquidity risk.

This note presents information about the REIT exposure to each of the above risks and how these risks are measured, monitored and managed by the Responsible Entity.

The Board of Directors of the Responsibility Entity has overall responsibility for the establishment and oversight of the REIT's risk management program.

The REIT's overall risk management programme focuses on ensuring compliance with the REIT's Product Disclosure Statement and the investment guidelines of the REIT. It seeks to maximise the returns derived from the level of risk to which the REIT is exposed and seeks to minimise potential adverse effects on the REIT's financial performance.

The investments of the REIT, and associated risks, are managed by a specialist Investment Manager, Auctus Asset Management Pty Ltd under an Investment Management Agreement (IMA) approved by the Responsible Entity and containing the investment strategy and guidelines of the REIT, consistent with those stated in the Product Disclosure Statement.

The REIT uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

a. Market risk

i. Price risk

The REIT is exposed to price risk on its investments in unlisted property companies. The REIT has identified that there is an exposure of the fair value of the investment properties market and occupier fundamentals like estimated net operating income, capitalisation rates and occupancy rates.

At 30 June, the fair value of investments in unlisted property companies exposed to price risk was as follows:

	As at	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Investment in SQ Texas Tech The Edge JV, LLC	8,545	8,827
Investment in SQ Clemson I JV, LLC	10,783	9,251
Investment in SQ Georgia State 1 JV, LLC	14,152	14,652
Investment in SQ Mississippi Portfolio JV, LLC	17,173	15,373
Investment in SQ Arizona State – Lofts JV, LLC	7,252	6,608
	57,905	54,711

For details on the sensitivity of the fair value measurement to changes to unobservable inputs refer to Note 4.

ii. Foreign exchange risk

The REIT operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the United States dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

The Investment Manager monitors this risk on an on-going basis. The Investment Manager manages risk on an absolute return basis in the reporting currency (i.e. United States dollar), rather than the underlying currencies.

3. Financial risk management (continued)

a. Market risk (continued)

The table below summarises the fair value of the REIT's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the United States dollar.

As at 30 June 2023	US\$'000
Cash and cash equivalents	488
Receivables	7
Payables	(76)
Net exposure	419
As at 30 June 2022	US\$'000
Cash and cash equivalents	979
Receivables	36
Payables	(73)
Net exposure	942

The table at Note 3b summarises the sensitivities of the REIT's monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the United States dollar weakened and strengthened by 10% against the material foreign currencies to which the REIT is exposed.

b. Summarised sensitivity analysis

The following table summarises the sensitivity of the REIT's operating profit/(loss) and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in the historical correlation of the REIT's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the REIT invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/ (loss)/ net assets attributable to unit holders	
	Foreign exchange risk	
	+10% AUD Dollar US\$'000	-10% AUD Dollar US\$'000
As at 30 June 2023	42	(42)
As at 30 June 2022	94	(94)

3. Financial risk management (continued)

c. Liquidity risk

Liquidity risk is the risk that the REIT may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Exposure to liquidity risk arises because of the possibility that the REIT could be required to pay its liabilities or redeem its shares.

It is the REIT's policy that the investment manager monitors the REIT's liquidity position on a monthly basis.

The table below summarises the maturity profile of the REIT's financial assets and liabilities based on contractual undiscounted receipts and payments.

	Less than 1 month US\$'000	1 to 12 months US\$'000	Over 12 months US\$'000	No fixed maturity US\$'000	Total US\$'000
As at 30 June 2023					
Cash and cash equivalents	916	-	-	-	916
Receivables	1	-	-	-	1
Investments	-	-	-	57,905	57,905
Total financial assets	917	-	-	57,905	58,822
Payables	107	-	-	-	107
Total financial liabilities	107	-	-	-	107
As at 30 June 2022					
Cash and cash equivalents	1,948	-	-	-	1,948
Receivables	14	-	-	-	14
Investments	-	-	-	54,711	54,711
Total financial assets	1,962	-	-	54,711	56,673
Payables	73	-	-	-	73
Total financial liabilities	73	-	-	-	73

3. Financial risk management (continued)

c. Liquidity risk (continued)

The table below summarises the mortgage loan for investee companies as of 30 June 2023.

Investee companies	Asset	Lender	Balance outstanding as of 30 June 2023 US\$'000	Monthly repayment US\$	Loan Type	Duration
SQ Texas Tech – The Edge JV, LLC	The Edge	Walker & Dunlop	18,393	80,559	Fixed, Principal & Interest	Maturity 2051
SQ Clemson 1 JV, LLC	District at Clemson	Everlake Life Insurance Company	17,500	93,333	Fixed, Principal & Interest	Maturity April 2029, Interest only until May 2025
SQ Georgia State 1 JV, LLC	200 Edgewood	Everlake Life Insurance Company	22,748	75,637	Fixed, Principal & Interest	Maturity April 2029, Interest only until April 2024 with option to extend
SQ Mississippi Portfolio JV, LLC	Balcony MSU	Everlake Life Insurance Company	6,148	64,595	Fixed, Principal & Interest	Maturity April 2029, Interest only until April 2024 with option to extend
	Traditions		3,689			
	607 South		3,504			
	West 100		2,951			
	Village Walk		3,135			
SQ Arizona State – Lofts JV, LLC	Lofts on 8th	Everlake Life Insurance Company	10,575	35,162	Fixed, Principal & Interest	Maturity April 2029, Interest only until April 2024 with option to extend

3. Financial risk management (continued)

c. Liquidity risk (continued)

The table below summarises the mortgage loan for investee companies as of 30 June 2022.

Investee companies	Asset	Lender	Balance outstanding as of 30 June 2022 US\$'000	Monthly repayment US\$	Loan Type	Duration
SQ Texas Tech – The Edge JV, LLC	The Edge	Walker & Dunlop	18,393	80,559	Fixed, Principal & Interest	Maturity 2051
SQ Clemson 1 JV, LLC	District at Clemson	Everlake Life Insurance Company	17,500	93,333	Fixed, Principal & Interest	Maturity April 2030, Interest only until May 2025
SQ Georgia State 1 JV, LLC	200 Edgewood	Everlake Life Insurance Company	22,748	75,637	Fixed, Principal & Interest	Maturity April 2029, Interest only until April 2024 with option to extend
SQ Mississippi Portfolio JV, LLC	Balcony MSU	Everlake Life Insurance Company	6,148	64,595	Fixed, Principal & Interest	Maturity April 2029, Interest only until April 2024 with option to extend
	Traditions		3,689			
	607 South		3,504			
	West 100		2,951			
	Village Walk		3,135			
SQ Arizona State – Lofts JV, LLC	Lofts on 8th	Everlake Life Insurance Company	10,575	35,162	Fixed, Principal & Interest	Maturity April 2029, Interest only until April 2024 with option to extend

The fair value of the investments in the above Investee companies are net the carrying value of the loans. All expenses, including interest payments, and reserve provisions are deducted from income generated by the properties prior to being remitted to the REIT.

Neither the REIT nor its subsidiaries have provided any guarantee in respect to the mortgage loan arrangement during the year (2022:nil).

4. Fair value measurements

The REIT measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The REIT values its investments in accordance with the accounting policies set out in Note 2c to the financial statements.

As of 30 June 2023, the REIT does not have any investments in active markets.

a. Fair value in an inactive or unquoted market (level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques.

The REIT invests in unlisted property companies that are not quoted in an active market. The REIT's investment manager (via the REIT's asset manager, Student Quarters LP) engages an independent US valuation advisor to provide an annual arm's length valuation for the purposes of supporting a fair market valuation for the investees on an annual basis. The independent US valuation advisor has used the income capitalisation approach. The REIT classifies the fair value of these investments as level 3.

The REIT invests via Delaware vehicles into Investee Companies that acquire and manage US student housing assets. Capital raised by the REIT will be used to capitalise SQ Property Opportunities Holdco, LLC, which will acquire a minimum 90% interest in targeted assets, with Student Quarters investing alongside the REIT in each asset as alignment capital. The REIT uses a fair value valuation technique for these positions.

4. Fair value measurements (continued)

a. Fair value in an inactive or unquoted market (level 3) (continued)

The table below presents the REIT's financial assets measured and recognised at fair value through profit or loss as at 30 June 2023 and 30 June 2022. There were no financial liabilities measured at fair value at 30 June 2023 and 30 June 2022.

	Acquisition date	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
As at 30 June 2023					
Financial assets					
Investment in SQ Texas Tech – The Edge JV, LLC	12 January 2021	–	–	8,545	8,545
Investment in SQ Clemson I JV, LLC	19 November 2021	–	–	10,783	10,783
Investment in SQ Georgia State 1 JV, LLC	30 March 2022	–	–	14,152	14,152
Investment in SQ Mississippi Portfolio JV, LLC	30 March 2022	–	–	17,173	17,173
Investment in SQ Arizona State – Lofts JV, LLC	30 March 2022	–	–	7,252	7,252
Total financial assets		–	–	57,905	57,905
As at 30 June 2022					
Financial assets					
Investment in SQ Texas Tech – The Edge JV, LLC	12 January 2021	–	–	8,827	8,827
Investment in SQ Clemson I JV, LLC	19 November 2021	–	–	9,251	9,251
Investment in SQ Georgia State 1 JV, LLC	30 March 2022	–	–	14,652	14,652
Investment in SQ Mississippi Portfolio JV, LLC	30 March 2022	–	–	15,373	15,373
Investment in SQ Arizona State – Lofts JV, LLC	30 March 2022	–	–	6,608	6,608
Total financial assets		–	–	54,711	54,711

There were no transfers between levels in the fair value hierarchy during the year ended 30 June 2023 (30 June 2022: nil).

4. Fair value measurements (continued)

b. Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments for the year ended 30 June 2023:

	Investment in The Edge US\$'000	Investment in Clemson US\$'000	Investment in Georgia State US\$'000	Investment in Mississippi Portfolio US\$'000	Investment in Arizona State US\$'000	Total US\$'000
Opening balance – 1 July 2021	8,808	–	–	–	–	8,808
Purchases	–	7,874	15,027	9,777	6,608	39,286
Gains/(losses) recognised in the statement of comprehensive income	19	1,377	(375)	5,596	–	6,617
Closing balance – 30 June 2022	8,827	9,251	14,652	15,373	6,608	54,711
Purchases	–	–	–	–	–	–
Gains/(losses) recognised in the statement of comprehensive income	(282)	1,532	(500)	1,800	644	3,194
Closing balance – 30 June 2023	8,545	10,783	14,152	17,173	7,252	57,905

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements.

4. Fair value measurements (continued)

b. Fair value measurements using significant unobservable inputs (level 3) (continued)

Description	Fair value US\$'000	Unobservable inputs	Range of probability-weighted average	Relationship of Unobservable inputs to fair value
As at 30 June 2023				
Investment in SQ Texas Tech – The Edge JV, LLC	8,545	Capitalisation rate	5% – 5.5%	Increased/ (decreased) of capitalisation rate by +/- 0.25% would increase/(decrease) fair value between US\$1.2m and US\$1.4m
		Stabilised occupancy	93%	
		Net operating income	US\$1.3m per annum	
Investment in SQ Clemson I JV, LLC	10,783	Capitalisation rate	5% – 5.5%	Increased/ (decreased) of capitalisation rate by +/- 0.25% would increase/(decrease) fair value between US\$1.3m and US\$1.4m
		Stabilised occupancy	98%	
		Net operating income	US\$1.5m per annum	
Investment in SQ Georgia State 1 JV, LLC	14,152	Capitalisation rate	5.35% – 5.85%	Increased/ (decreased) of capitalisation rate by +/- 0.25% would increase/(decrease) fair value between US\$1.6m and US\$1.7m
		Stabilised occupancy	95%	
		Net operating income	US\$2.1m per annum	
Investment in SQ Mississippi Portfolio JV, LLC	17,173	Capitalisation rate	5.45% – 5.95%	Increased/ (decreased) of capitalisation rate by +/- 0.25% would increase/(decrease) fair value between US\$0.2m and US\$0.6m
		Stabilised occupancy	96% – 97%	
		Net operating income	US\$2.1m per annum for the portfolio	
Investment in SQ Arizona State – Lofts JV, LLC	7,252	Capitalisation rate	5% – 5.5%	Increased/ (decreased) of capitalisation rate by +/- 0.25% would increase/(decrease) fair value between US\$0.8m and US\$0.9m
		Stabilised occupancy	97%	
		Net operating income	US\$0.9m per annum	

4. Fair value measurements (continued)

b. Fair value measurements using significant unobservable inputs (level 3) (continued)

Description	Fair value US\$'000	Unobservable inputs	Range of probability-weighted average	Relationship of Unobservable inputs to fair value
As at 30 June 2022				
Investment in SQ Texas Tech – The Edge JV, LLC	8,827	Capitalisation rate Stabilised occupancy Net operating income	4.50% – 5% 95% US\$1.3m per annum	Increased/ (decreased) of capitalisation rate by +/- 0.25% would increase/(decrease) fair value by US\$1.3m
Investment in SQ Clemson I JV, LLC	9,251	Capitalisation rate Stabilised occupancy Net operating income	4.25% – 4.75% 97.5% US\$1.2m per annum	Increased/ (decreased) of capitalisation rate by +/- 0.25% would increase/(decrease) fair value between US\$1.4m and US\$1.5m
Investment in SQ Georgia State 1 JV, LLC	14,652	Capitalisation rate Stabilised occupancy Net operating income	5% – 5.25% 88.5% US\$1.9m per annum	Increased/ (decreased) of capitalisation rate by +/- 0.25% would increase/(decrease) fair value between US\$1.6m and US\$2.2m
Investment in SQ Mississippi Portfolio JV, LLC	15,373	Capitalisation rate Stabilised occupancy Net operating income	4.75% – 5.5% 92% – 96% US\$0.2m to US\$0.6m per annum across the portfolio	Increased/ (decreased) of capitalisation rate by +/- 0.25% would increase/(decrease) fair value between US\$0.2m and US\$0.6m
Investment in SQ Arizona State – Lofts JV, LLC	6,608	Cost of acquisition	–	The purchase price paid for the investment (excluding transaction costs) on 30 March 2022 approximates the fair value of the investment at 30 June 2022

Any change in the fair value of the investments will have a direct impact in the fair value gain or loss in the statement of comprehensive income.

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

The carrying value of cash and cash equivalents, receivables and payables approximate their fair values due to their short-term nature.

Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior reporting periods.

5. Financial assets at fair value through profit or loss

	Year ended	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Investment in SQ Texas Tech – The Edge JV, LLC	8,545	8,827
Investment in SQ Clemson I JV, LLC	10,783	9,251
Investment in SQ Georgia State 1 JV, LLC	14,152	14,652
Investment in SQ Mississippi Portfolio JV, LLC	17,173	15,373
Investment in SQ Arizona State – Lofts JV, LLC	7,252	6,608
Total financial assets at fair value through profit or loss	57,905	54,711

6. Net assets attributable to unit holders – equity

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain criteria are met. The REIT shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions set out in Note 2c. The REIT's units are classified as equity as they meet the definition of a financial instrument to be classified as equity.

Movements in the number of units and net assets attributable to unit holders during the year were as follows:

	Year ended			
	30 June 2023		30 June 2022	
	Units '000	US\$'000	Units '000	US\$'000
Ordinary units – fully paid				
Opening balance	55,541	56,622	12,916	12,793
Applications	–	–	42,625	42,625
Equity raising costs	–	–	–	(1,440)
Distribution paid	–	(2,223)	–	(461)
Currency translation reserve	–	(46)	–	30
Profit/(loss) for the year	–	4,368	–	3,075
Closing balance	55,541	58,721	55,541	56,622

Net assets attributable to unit holders are classified as equity at 30 June 2023.

As stipulated within the REIT's Constitution, each unit represents a right to an individual share in the REIT and does not extend to a right in the underlying assets of the REIT. In addition, the unit holders have no right to a request for a redemption of the units and the REIT does not have an obligation to purchase, re-purchase or redeem any unit.

7. Basic and diluted earnings per unit

	Year ended	
	30 June 2023	30 June 2022
Profit/(loss) for the year (US\$'000)	4,368	3,075
Weighted average number of units on issue ('000)	55,541	55,541
Basic and diluted earnings per unit (cents per unit)	7.86	5.54

The basic and diluted earnings per unit have been calculated using the profit attributable to unit holders of the REIT as the numerator. There is no difference between basic and diluted earnings per unit as no units are dilutive in nature.

8. Segment information

The Directors of the Responsible Entity have determined the operating segments based on the reports reviewed by the chief operating decision maker, being the Board of the Responsible Entity.

The REIT is organised into one main operating segment, which invests in US student housing assets.

All significant operating decisions are based upon analysis of the REIT as one segment. The financial results from this segment are equivalent to the financial statements of the REIT as a whole.

The following table analyses the REIT's investment income by geographical location:

	Year ended	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Investment income/(loss)		
Texas	(281)	370
South Carolina	1,847	1,574
Georgia	541	(343)
Mississippi	2,667	5,611
Arizona	1,144	-
Total investment income/(loss)	5,918	7,212

9. Distributions to unit holders

The distributions declared during the year were as follows:

	Year ended	
	30 June 2023	
	US\$'000	CPU
Declared on 15 August 2022 and paid on 30 August 2022	585	1.0531
Declared on 17 November 2022, paid on 30 November 2022 and updated on 9 December 2022	432	0.7774
Declared on 15 February 2023 and paid on 28 February 2023	609	1.0963
Declared on 15 May 2023 and paid on 29 May 2023	597	1.0755
Total distributions	2,223	4.0023

	Year ended	
	30 June 2022	
	US\$'000	CPU
Declared on 31 December 2021 and paid on 25 March 2022	157	0.66
Declared on 31 March 2022 and paid on 26 May 2022*	87	0.36
Declared on 31 March 2022 and paid on 26 May 2022	217	0.39
Total distributions	461	1.4059

* Prorata distribution for the period 1 January to 7 March 2022.

10. Cash and cash equivalents

	As at	
	30 June 2023	30 June 2022
	US\$'000	US\$'000
Cash at bank	916	1,948
Total cash and cash equivalents	916	1,948

11. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

a. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Profit/(loss) for the year	4,368	3,075
Net gains/(losses) on financial instruments at fair value through profit or loss	(3,194)	(6,617)
Net change in receivables	29	(28)
Net change in payables	(36)	54
Net cash inflow/(outflow) from operating activities	1,167	(3,516)

12. Receivables

	As at	
	30 June 2023 US\$'000	30 June 2022 US\$'000
GST receivable	6	22
Other receivables	1	14
Total receivables	7	36

13. Payables

	As at	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Custody and administration fees	13	8
Audit fees	46	62
Responsible Entity fees	-	3
Tax advisory fees	5	-
Withholding tax fees	12	-
Other fees	31	-
Total payables	107	73

14. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditors of the Trust:

	Year ended	
	30 June 2023 AU\$	30 June 2022 AU\$
BDO Audit Pty Ltd		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	113,500	95,000
Other assurance services	–	175,000
Total remuneration for audit and other assurance services	113,500	270,000
BDO Corporate Finance Pty Limited		
<i>Taxation services</i>		
Tax advisory services	–	115,700
Total remuneration for taxation services	–	115,700
<i>Other services</i>		
Corporate finance and transactional services	–	200,000
Total remuneration for other services	–	200,000
Total remuneration of BDO	113,500	585,700
PricewaterhouseCoopers		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,345	2,345
Total remuneration for audit and other assurance services	2,345	2,345
Total remuneration of PricewaterhouseCoopers	2,345	2,345

The auditors' remuneration is borne by the REIT. Fees are stated exclusive of GST.

BDO non-audit services for the year ended 30 June 2022 were performed before the REIT listed on the ASX. No non-audit services were provided by BDO since the REIT has been listed on the ASX.

15. Related party transactions

The Responsible Entity of the REIT is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Auctus Asset Management Pty Ltd to act as Investment Manager for the REIT and Mainstream Fund Services Pty Ltd to act as Custodian and Administrator for the REIT. The contracts are on normal commercial terms and conditions.

a. Key management personnel

i. Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the financial year and up to the date of this report.

Philip D Gentry	Chairman
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	
David B Warren	(appointed 6 March 2023)
Samantha Einhart	Company Secretary

ii. Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the REIT, directly or indirectly during the reporting period.

b. Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

c. Key management personnel unit holdings

Key management personnel did not hold units in the REIT as at 30 June 2023 (30 June 2022: nil).

d. Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the REIT to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

e. Key management personnel loan disclosures

The REIT has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

f. Other transactions within the REIT

No key management personnel have entered into a material contract with the REIT during the reporting year and there were no material contracts involving management personnel's interests existing at year end.

15. Related party transactions (continued)

g. Responsible Entity fees, Investment Manager's fees and other transactions

Under the terms of the REIT's Constitution and the Product Disclosure Statement for the REIT, the Responsible Entity and the Investment Manager are entitled to receive management fees.

The transactions during the reporting period and amounts payable at period end between the REIT, the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	30 June 2023	30 June 2022
Management fees for the year	876,900	544,575
Responsible Entity fees for the year	26,253	14,736
Responsible Entity fees payable at year end	–	3,410

For information on how management fees are calculated please refer to the REIT's Product Disclosure Statement.

h. Related party unit holdings

Parties related to the REIT (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) hold units in the REIT as follows:

	Number of units held opening	Number of units held closing	Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
Unit holder						
As at 30 June 2023						
Auctus Investment Holdings Pty Ltd	4,417,000	4,500,000	8.10%	83,000	–	150,318
Unit holder						
As at 30 June 2022						
Auctus Investment Holdings Pty Ltd	–	4,417,000	7.95%	4,417,000	–	88,270

16. Events occurring after the reporting period

On 15 August 2023, Directors announced a gross distribution of 0.76 (US\$) cents per ordinary unit. The record date was 22 August 2023 and payment date will be 30 August 2023.

No other significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Fund for the year ended on that date.

17. Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

Directors' Declaration

30 June 2023

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 22 to 51 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the REIT's financial position as at 30 June 2023 and of its performance for the year ended on that date.
- (b) There are reasonable grounds to believe that the REIT will be able to pay its debts as and when they become due and payable.
- (c) Note 2a confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.

The directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.295(5) of the *Corporations Act 2001*.



Philip D Gentry

Chairman

Melbourne

28 August 2023

Independent Auditor's Review

Report to the Unit Holders of US Student Housing REIT



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INDEPENDENT AUDITOR'S REPORT

To the unitholders US Student Housing REIT

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of US Student Housing REIT (the 'REIT'), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the REIT is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the REIT's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the REIT in accordance with the *Corporations Act 2001* and 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 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, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



Valuation of financial assets at fair value through profit or loss

Key audit matter	How the matter was addressed in our audit
<p>The REIT's portfolio comprises of five investments in nine US student housing real estate assets located within proximity to public universities across the United States of America. At 30 June 2023, the carrying value of the REIT's investment portfolio was US\$57.9 million. Refer to Note 4 of the financial report.</p> <p>The REIT's investments are carried at fair value through profit or loss, which is determined with reference to external valuers reports for each investment and by applying the valuation methodology described in Note 4 of the financial report.</p> <p>We considered this to be a key audit matter because of the:</p> <ul style="list-style-type: none"> Financial significance of the carrying value of the investment portfolio in the REIT's statement of financial position. Financial significance of the fair value gains or losses that directly impact the REIT's statement of comprehensive income. The level of judgment as minor changes in the underlying assumptions adopted by the external valuers can significantly impact the valuation results. 	<p>We performed the following audit procedures, amongst others:</p> <ul style="list-style-type: none"> We have obtained an understanding of the REIT's process regarding the valuation of its investment portfolio and the resulting valuation approach; We have assessed the scope, competence, capability and objectivity of the external valuation experts engaged by the REIT's asset manager; We obtained and reviewed the independent investment valuations performed over the assets and engaged our valuation specialists to assess the appropriateness of the valuation methodologies and certain significant assumptions, including comparing the capitalisation rates to market data; For each valuation, we assessed the appropriateness of the relevant historical net operating income used by the valuer; We assessed the mathematical accuracy of the valuations; and We assessed the appropriateness of the disclosures in the financial report with reference to the requirements of Australian Accounting Standards.

Other information

The directors of Equity Trustees Limited (the Responsible Entity) are responsible for the other information. The other information comprises the information in the REIT's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



In preparing the financial report, the directors are responsible for assessing the REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the REIT or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO
A handwritten signature in blue ink, appearing to read 'Salim Biskri', written over the BDO logo.

Salim Biskri
Director

Melbourne, 28 August 2023

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US
STUDENT
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REIT