

US Multifamily Investment Limited
Annual Report and Financial Statements
For the year ended 31 December 2021

US Multifamily Investment Limited
Annual Report and Financial Statements for the year ended 31 December 2021

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Officers and Professional Advisers

REGISTERED OFFICE

Third Floor
Cambridge House
Le Truchot
St Peter Port
Guernsey GY1 1WD

INDEPENDENT AUDITORS

Moore Stephens Audit and Assurance
(Guernsey) Limited
PO Box 146
Level 2 Park Place
Park Street
St Peter Port
Guernsey GY1 3HZ

DIRECTORS

Damien Fitzgerald (appointed 15 September 2021)
Lisa Haggarty (resigned 15 September 2021)
Michael Schwenke
Mark Cleary
Nicholas Riley (alternate to
Michael Schwenke)

LEGAL ADVISOR IN GUERNSEY

Mourant Ozannes
P O Box 186
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey
GY1 4HP

ADMINISTRATOR AND REGISTRAR

Zedra Fund Managers (Guernsey) Limited
Third Floor
Cambridge House
Le Truchot
St Peter Port
Guernsey GY1 1WD

REAL ESTATE MANAGER

Investec Property Capital Partners (a division
of Investec Property Proprietary Limited)
100 Grayston Drive
Sandown
Sandton 2196
South Africa

PRINCIPAL BANKERS IN GUERNSEY

Investec Bank (Channel Islands) Limited
PO Box 188
Glategny Court
St Peter Port
Guernsey GY1 1WR

DISTRIBUTOR

Investec Wealth & Investment (a division of
Investec Securities Proprietary Limited)
100 Grayston Drive
Sandown
Sandton 2196
South Africa

LISTING AND ANNUAL SPONSOR

Clarien BSX Services Limited
25 Reid Street
Hamilton
Bermuda HM11

US Multifamily Investment Limited

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Directors' Report

The Directors present their annual report and the audited financial statements of US Multifamily Investment Limited ("USMIL") for the year ended 31 December 2021.

Incorporation

USMIL was incorporated on 16 August 2017, and is a Guernsey registered closed ended collective investment scheme, with registration number 63920.

Change of name

On 23 November 2017 USMIL changed its name from "US Multifamily Residential One - Offshore Limited" to "US Multifamily Investment Limited".

Principal activity

USMIL's principal purpose is to invest all of its subscribed capital into the underlying entity, US Multifamily Holdings LP ("USMHLP"). In turn, USMHLP invests its capital into Cortland Partners Fund IV, LLC ("Fund IV"), a fund that invests alongside institutional capital providers in multifamily housing communities located primarily (but not exclusively) in the south eastern and south central United States. This investment is referred to as the principal investment.

Bermuda Stock Exchange ("BSX") listing

On 2 February 2018, USMIL was granted a listing on the BSX (ticker: USMIL.BH).

Going Concern

After making enquiries based on justifiable assumptions, the Directors have a reasonable expectation that USMIL will have adequate resources to continue in operational existence for twelve months from the date of signing these financial statements.

The Directors are monitoring the ongoing operational impact that COVID-19 has on USMIL, and the Directors will continually review the situation and will adapt operational activities if required. At the date of signing of these financial statements, the Directors are of the opinion that due to the global measures introduced by jurisdictions to combat COVID-19, and the recovery experienced by the investment markets, USMIL will be able to operate as a going concern.

For the above reasons, the Directors have prepared the Financial Statements on a going concern basis.

Results

The results for the year ended 31 December 2021 are set out in the attached financial statements.

Directors' interests

Michael Schwenke (director) and Nicholas Riley (alternate director to Michael Schwenke), who held office at the year end each had an interest in 125 shares of USMIL as at 31 December 2021. These shares are held through nominee companies. No other Directors who held office had an interest in the shares of USMIL.

Independent Auditors

A resolution to re-appoint Mooore Stephens Audit and Assurance (Guernsey) Limited as independent auditor was approved by shareholders at the Annual General Meeting held on 22 February 2022.

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Directors' Report (continued)

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Directors have elected to prepare the financial statements for each financial year which give a true and fair view, in accordance with the applicable Guernsey Law and applying accounting principles generally accepted in the United States of America ("US GAAP"), of the state of affairs of USMIL and of the profit or loss of USMIL for that period.

In preparing the financial statements the Directors are required to:

- * Select suitable accounting policies and apply them consistently;
- * Make judgements and estimates that are reasonable and prudent;
- * State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- * Prepare the financial statements on the going concern basis unless it is inappropriate to presume that USMIL will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of USMIL and enable them to ensure that the financial statements comply with US GAAP. They are also responsible for safeguarding the assets of USMIL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors and disclosure of information to auditors

In the case of each of the persons who are Directors at the time when the report is approved, the following applies:

- * so far as each Director is aware, there is no relevant audit information which has not been disclosed to USMIL's auditors; and
- * each Director has taken all the steps that it ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board of Directors



Director

Date: 27 May 2022



Director

Date: 27 May 2022

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Statement of Assets and Liabilities
As at 31 December 2021

		31 December 2021	31 December 2020
Assets:	Notes	US\$	US\$
Investment - equity interest (cost: US\$12,611,467)		29,310,959	17,382,498
Investment - debt interest (cost: US\$13,159,710 accrued interest: US\$235,282)		13,394,992	24,052,084
Total investment assets	7	<u>42,705,951</u>	<u>41,434,582</u>
Prepaid expenses		-	4,872
Cash and cash equivalents		67,499	50,577
Total assets		<u>42,773,450</u>	<u>41,490,031</u>
Liabilities and Shareholders' Equity:			
Liabilities			
Other creditors - due to related party	12	42,922	11,250
Other creditors		27,476	41,717
Total liabilities		<u>70,398</u>	<u>52,967</u>
Total Net Assets:		<u>42,703,052</u>	<u>41,437,064</u>
Total Net Assets consist of:			
Shareholders' equity			
Issued share capital		33,474,000	33,474,000
Share premium		26,000	26,000
Retained earnings		9,203,052	7,937,064
Total shareholders' equity	8	<u>42,703,052</u>	<u>41,437,064</u>
Net asset value per share		<u>US\$ 1,275.71</u>	<u>US\$ 1,237.89</u>

These financial statements were approved by the Board of Directors on 27 May 2022.



Damien Fitzgerald
 Director



Mark Cleary
 Director

The accompanying notes form part of these audited financial statements.

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Schedule of Investments
As at 31 December 2021

31 December 2021

	Investments by Geography	Investments by Industry	Cost US\$	Fair Value US\$	Fair Value as a % of Net Assets
US Multifamily Holdings LP - equity	USA	Property	12,611,467	29,310,959	68.64%
US Multifamily Holdings LP - debt	USA	Property	13,394,992	13,394,992	31.37%
Total Investments			<u>26,006,459</u>	<u>42,705,951</u>	<u>100.01%</u>

31 December 2020

	Investments by Geography	Investments by Industry	Cost US\$	Fair Value US\$	Fair Value as a % of Net Assets
US Multifamily Holdings LP - equity	USA	Property	12,611,467	17,382,498	41.95%
US Multifamily Holdings LP - debt	USA	Property	24,052,084	24,052,084	58.04%
Total Investments			<u>36,663,551</u>	<u>41,434,582</u>	<u>99.99%</u>

The accompanying notes form part of these audited financial statements.

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Statement of Operations
For the year from 1 January 2021 to 31 December 2021

	1 January 2021 to 31 December 2021	1 January 2020 to 31 December 2020
	US\$	US\$
Investment Income		
Interest income on debt investment	2,095,700	2,488,411
Dividend income	3,258,431	-
Total investment income	<u>5,354,131</u>	<u>2,488,411</u>
Expenses		
Administration fees	(61,669)	(60,098)
Audit fees	(28,732)	(28,530)
Legal and professional fees	-	(6,558)
Other expenses	(14,980)	(20,667)
Total expenses	<u>(105,381)</u>	<u>(115,853)</u>
Net investment income	<u>5,248,750</u>	<u>2,372,558</u>
Unrealised gain in investment		
Net unrealised gain in investment	<u>11,928,461</u>	<u>2,345,525</u>
Net increase in net assets resulting from operations	<u><u>17,177,211</u></u>	<u><u>4,718,083</u></u>

The accompanying notes form part of these audited financial statements.

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Statement of Changes in Net Assets
For the year from 1 January 2021 to 31 December 2021

	1 January 2021 to 31 December 2021	1 January 2020 to 31 December 2020
	US\$	US\$
Net increase in net assets resulting from operations		
Net investment income	5,248,750	2,372,558
Net unrealised gain in investment	11,928,461	2,345,525
Net increase in net assets resulting from operations	<u>17,177,211</u>	<u>4,718,083</u>
Net change from capital transactions		
Distributions to shareholders	<u>(15,911,223)</u>	<u>(1,975,000)</u>
Total increase in net assets in the year	1,265,988	2,743,083
Net assets at the beginning of the year	41,437,064	38,693,981
Net assets at the end of the year	<u><u>42,703,052</u></u>	<u><u>41,437,064</u></u>

The accompanying notes form part of these audited financial statements.

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Statement of Cash Flows
For the year from 1 January 2021 to 31 December 2021

	1 January 2021 to 31 December 2021	1 January 2020 to 31 December 2020
	US\$	US\$
Cash flows from operating activities:		
Net increase in net assets from operations	17,177,211	4,718,083
Adjustments to reconcile net increase in net assets resulting from operations to net cash flows provided by operating activities:		
Net unrealised gain in investment (equity interest)	(11,928,461)	(2,345,525)
Debt interest accrued on investment (debt interest)	(2,095,700)	(2,488,411)
Interest and Loan repayment received	12,752,792	2,135,483
Changes in operating assets and liabilities:		
Decrease/(increase) in prepaid expenses	4,872	(4,872)
Increase/(decrease) in due to related party	31,672	(9,891)
(Decrease)/increase in other creditors	(14,241)	11,212
Net cash flows generated from operating activities	15,928,145	2,016,079
Cash flows used in financing activities:		
Distributions paid to shareholders	(15,911,223)	(1,975,000)
Net cash flows utilised in financing activities	(15,911,223)	(1,975,000)
Net increase in cash and cash equivalents during the year	16,922	41,079
Cash and cash equivalents at the beginning of the year	50,577	9,498
Cash and cash equivalents at the end of the year	67,499	50,577

The accompanying notes form part of these audited financial statements.

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Notes to the financial statements

For the year from 1 January 2021 to 31 December 2021

1 Business and organisation

USMIL is a company incorporated in Guernsey, which holds a 99.525% interest in the underlying limited partnership, USMHLP. This limited partnership is registered in the USA and holds a 19.23429% interest in Fund IV (the principal investment), an active limited liability company formed in Delaware, USA on 7 December 2016, and which commenced operations on 19 April 2017.

On 2 February 2018, USMIL was granted a listing on the BSX (ticker: USMIL.BH).

The principal investment invests in multifamily real estate entities. Cortland Fund IV Manager, LLC currently serves as the manager (the "CP Manager") and, in addition to an affiliated member, Cortland Fund IV Investors, LLC, has committed a minimum of 20% ownership of the principal investment, subject to a maximum capital contribution of US\$20 million as specified in the principal investment's limited liability company agreement (the "LLC Agreement") as amended and restated on 29 March 2018.

The LLC Agreement provides the procedures for capital contributions, distributions, and allocations of income and losses among the members. Available cash is distributed to the members in accordance with the provisions of the LLC Agreement.

The principal investment shall be dissolved and its business wound up on the tenth anniversary of the last day of the offering period. The term may be extended for up to two years if approved by two thirds of investors, or thereafter if approved by a majority of investors.

2 Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with US GAAP and are presented in US Dollars. USMIL follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "ASC") as the source of authoritative accounting principles in the preparation of financial statements in conformity with US GAAP. USMIL is an investment company and follows the accounting and reporting guidance in the FASB's ASC 946 Financial Services - Investment Companies.

After analysis of the Variable Interest Entity model provisions within US GAAP, USMIL does not consolidate the results of operations, assets or liabilities of USMHLP in its financial statements, as control of USMHLP lies with the general partner, US Multifamily GP LLC. USMIL fair values its interest in USMHLP, and any movement in fair value is reflected in the Statement of Operations.

Significant accounting policies are those policies that are the most important to the financial statements and/or those that require significant management judgement related to matters that are uncertain. The following valuation policies are considered critical accounting policies due to the judgement and significance involved in their applications.

Going concern

After making enquires on justifiable assumptions, the Directors have a reasonable expectation that USMIL will have adequate resources to continue in operational existence for twelve months from the date of signing these financial statements.

The Directors are monitoring the ongoing operational impact that COVID-19 has on USMIL, and the Directors will continually review the situation and will adapt operational activities if required. At the date of signing of these financial statements, the Directors are of the opinion that due to the global measures introduced by jurisdictions to combat COVID-19, and the recovery experienced by the investment markets, USMIL will be able to operate as a going concern.

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Notes to the financial statements (continued)

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2 Summary of significant accounting policies (continued)

Valuation of USMIL's interest in USMHLP

USMIL records its investment in USMHLP at fair value. The Directors estimate the fair value of USMHLP to be the net asset value of USMHLP. In calculating the net asset value the valuation of the interest that USMHLP has in its underlying principal investment is also included in its financial statements at fair value after adjusting for tax payable on unrealised gains.

USMIL's investment in USMHLP was valued at a total of US\$42,705,951 as of 31 December 2021 (31 December 2020: US\$41,434,582). This is made up of an amount for US\$13,394,992 (31 December 2020: US\$24,052,084) which represents the fair value of the debt interest in USMHLP. This debt generates interest receivable at a rate of 10.5%, calculated on an annual basis and compounded to the principal. The total also includes an amount for US\$29,310,959 (31 December 2020: US\$17,382,498) being the equity interest USMIL has in USMHLP. This part of the investment shares in the net gains generated by the underlying investments by way of distributions after repayment of the debt and associated interest.

Fair value of financial instruments

US GAAP requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. USMIL financial instruments are recorded at fair value or at amounts whose carrying value approximates fair value.

Net investment income and net gain in investment

USMIL reports on the fair value movement of its equity and debt interest in USMHLP through its Statement of Operations.

Expenses

As the results of operations of USMHLP are not consolidated in USMIL's financial statements, the general and administrative expenses are limited to the expenses that USMIL directly incurs. These expenses consist primarily of professional, audit and administration fees and are accrued as and when they fall due. Expenses incurred at USMHLP level impact the net asset value and hence the fair value of USMHLP.

Taxes

USMIL is not subject to income taxes in Guernsey. USMHLP is subject to potential US corporation tax, its taxes paid and tax liability would impact on the net asset value of USMHLP and hence the fair value of USMHLP. USMIL recognizes the tax benefits of uncertain tax positions only where the position is more-likely-than-not (i.e. greater than 50 percent) to be sustained assuming examination by a tax authority based on the technical merits of the position. In evaluating whether a tax position has met the recognition threshold, USMIL must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in USMIL's financial statements. Income tax and related interest and penalties would be recognized by USMIL as tax expense in the statement of operations if the tax positions were deemed to meet the more-likely-than-not threshold.

Investment income

Dividends are recognised when USMIL's right to receive payments is established, normally being the ex-dividend date.

Interest income is recognised on a time-proportionate basis using the effective interest method.

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Notes to the financial statements (continued)

For the year from 1 January 2021 to 31 December 2021

2 Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with US GAAP requires the Directors to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Such judgements include assessing a reasonable estimate of fair value for the investment held by the Company; and the inclusion of estimated amounts for liabilities and other contingencies, where applicable, within these financial statements. As such actual results may differ materially from those estimates.

The real estate and capital markets are cyclical in nature. Property and investment values are affected by, among other things, the availability of capital, occupancy rates, rental rates and interest and inflation rates. As a result, determining real estate and investment values involves many assumptions. Amounts ultimately realized from each investment may vary significantly from the fair values presented

3 Investments held by USMIL

At 31 December 2021, USMIL's only investment consisted of a 99.525% interest in USMHLP. USMIL makes all of its investments through USMHLP, and is expected that USMIL's only substantial asset will be this interest in USMHLP. Although investments made with USMIL's capital by USMHLP do not appear as investments in USMIL's financial statements, USMIL is the primary beneficiary of such investments and bears substantially all of the risk of loss.

It is anticipated that USMHLP on receipt of distributions from the principal investment will, in turn, make distributions to USMIL to allow USMIL to make cash distributions to its shareholders in accordance with USMIL's distribution policy and to allow USMIL to pay its operating expenses as they become due.

Fair value measurements

In accordance with US GAAP, USMIL prioritises and ranks the level of market price observability used in measuring its investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level I include listed equities, securities and listed derivatives.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level III - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgement or estimation. Investments that are included in this category generally include private equity, general and limited partner interests in private equity, credit or real estate funds, mezzanine funds, distressed debt, structured debt vehicles and non-investment grade residual interests in securitisations.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. USMIL's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the investment.

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Notes to the financial statements (continued)
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3 Investments held by USMIL (continued)

Fair value measurements (continued)

As of 31 December 2021, USMIL's equity investment was valued based on its "pro rata" allocation of net assets of USMHLP (which in turn was based on USMHLP's underlying investment in Fund IV which was valued based on the fair value that USMHLP believes it could be sold or transferred in an orderly transaction between market participants as of the measurement date). The Directors are of the opinion that given the nature of financial information available on USMIL's investment in USMHLP, the investment held by USMIL would be categorised as level 3 in the fair value reporting hierarchy.

The fair value of the debt interest invested in USMHLP is continually considered and assessed by the Directors. The principal and compounded interest is determined by the Shareholders' agreement, and its recoverability is dependent on the underlying performance of USMHLP. This is the fourth period of operation and the indications are that the debt interest is holding value, however by adopting the cost allocation and compounding the interest as stipulated in the agreement, the resulting balance of the debt interest displayed at the period end is considered to be the most appropriate fair value.

4 Capital transactions

On 15 December 2017, the initial closing consisted of an issue of 31,500 shares in USMIL at US\$1,000 per share raising total capital of US\$31,500,000. The second closing on 13 April 2018 raised a further US\$2,000,000 of capital by issuing 1,974 shares in USMIL at US\$1,013.17 per share. Since that issue date, no shares have been either issued or redeemed by USMIL.

5 Financial highlights

	Year ended 31 December 2021 US\$	Year ended 31 December 2020 US\$
Financial highlights for USMIL were as follows:		
Per share operating performance:		
Average capital introduced per share	1,000.78	1,000.78
Net asset value at the beginning of the year	1,237.89	1,155.94
Gain from investment operations:		
Net investment income	156.80	70.88
Net unrealised gain in investment	356.35	70.07
Total gain from investment operations	513.15	140.95
Less: Distributions to shareholders	(475.33)	(59.00)
Net asset increase per share for the year	37.82	81.95
Net asset value per share at end of the year	1,275.71	1,237.89
Total return for the year	41.45%	12.19%
Percentage and supplemental data:		
Average net asset value held in the year (US\$)	42,070,058	40,065,523
Ratios to average net asset value on an annualised basis:		
	31 December 2021	31 December 2020
Expenses	0.25%	0.29%
Net investment income	12.48%	5.92%
Net unrealised gain in investment	28.35%	5.85%
Distributions to shareholders	37.82%	4.93%
Internal Rate of Return	20.73%	12.10%

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Notes to the financial statements (continued)

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6 Financial risk management

As USMIL has a 99.525% economic interest in USMHLP, and USMHLP's only investment is an interest in Fund IV (the principal investment), the majority of risk lies with the principal investment.

Market and liquidity risk

The principal investment invests in multifamily real estate entities. A decline in economic growth in either the USA or in the local jurisdictions in which the entities reside could result in a reduction in the volume of transactions. Declines in economic growth could result in a contraction in short-term and long-term debt and equity funding resources. Although the real estate industry and the USA specifically has seen economic stability in recent years, there can be no assurance that market conditions will remain or continue to improve in the near future. The COVID-19 pandemic has compounded the uncertainties and has contributed significantly to the present economic instability, and ultimately may have a material effect on both valuation and liquidity risk. Furthermore, the uncertainty in liquidity and prices of real estate and real estate related investments in the pandemic, as well as the availability of observable transaction data and inputs, continues to make it challenging to determine the fair value of such investments. As a result, amounts ultimately realised by the principal investment from selling investments may differ from the fair value presented, and the difference could be material.

Financing risk

There is no guarantee that the principal investment's borrowing arrangements or other arrangements for obtaining leverage at the real estate investment entities will continue to be available, or if available, will be available on terms and conditions acceptable to the principal investment or its underlying investments. Unfavourable economic conditions could increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit to the principal investment or its real estate entities.

Credit risk

Financial instruments which potentially subject the principal investment to a concentration of credit risk consist of cash and cash equivalents. The principal investment places its cash and cash equivalents with high credit quality institutions and minimizes its credit risk exposure through formal credit policies and monitoring procedures. The principal investment maintains funds in accounts with financial institutions that, from time to time, exceed the Federal Deposit Insurance Corporation insured limit.

7 Investment in USMHLP

As at 31 December 2021, the cost of USMIL's investment into USMHLP (net of repayments) was \$25,771,177 (31 December 2020: US\$33,530,962). In accordance with the shareholder agreement signed in February 2018, the funded capital is split between debt and equity. The debt portion of the funded capital originally amounted to US\$20,919,495 and at year end was US\$13,159,710 plus accrued interest of US\$235,282 (31 December 2020: US\$20,919,495 plus accrued interest of US\$3,132,589), being 51.0637% (31 December 2020: 62.38859%) of total funded capital, and earned interest at a rate of 10.5%. The interest is calculated using an annual rate of interest and compounded to the principal. During the year ended 31 December 2021, US\$2,095,700 of interest was compounded (31 December 2020: US\$2,488,411) and US\$4,993,007 (31 December 2020: US\$2,135,484) was paid. As interest is calculated and compounded on the principal balance, the period end balance of the debt interest is considered by the directors as a good approximation of fair value. The balance of the debt interest, as displayed in the Statement of Assets and Liabilities, is the amount that would be payable in cash as determined by the Shareholders' agreement.

The equity portion, being 48.9363% (31 December 2020: 37.61141%) of the total funded capital, is entitled to the net gain on the investment in USMHLP after adjusting for the interest receivable arising from the debt portion and other expenses.

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8 Total shareholders' equity

	Par value US\$	Share premium US\$	Retained earnings US\$	Total US\$
Balance as at 31 December 2020	33,474,000	26,000	7,937,064	41,437,064
Retained earnings for the year	-	-	17,177,211	17,177,211
Distributions to shareholders	-	-	(15,911,223)	(15,911,223)
Balance as at 31 December 2021	<u>33,474,000</u>	<u>26,000</u>	<u>9,203,052</u>	<u>42,703,052</u>

All shares are fully paid and, as at 31 December 2021 there are 33,474 shares in issue (31 December 2020: 33,474 shares in issue).

9 Provision for deferred taxation in USMHLP

USMIL is exempt from Guernsey income tax. USMHLP is subject to US corporation tax at a rate of 21% on the potential gain on the underlying principal investment. A deferred tax adjustment (a liability amounting to US\$5,788,354) has been considered in determining the fair value of the investments held by USMHLP.

10 Capital commitments

The capital contributed to USMHLP has been used to fully fund its commitment, in accordance with the LLC Agreement, in the underlying principal investment.

11 Distributions

Distributions to shareholders will be made at the discretion of the Board of Directors, as determined by the Articles of Association, and within the limits stipulated by Guernsey company law.

12 Related party transactions

Related parties comprise transactions with key management personnel, key service providers and affiliates.

Michael Schwenke (director) and Nicholas Riley (alternate director to Michael Schwenke), who held office at the year end each had an interest in 125 shares of USMIL as at 31 December 2021. These shares are held through nominee companies.

At year end, the provision for the performance fee amounted to US\$2,505,892 which will be payable by USMHLP to the real estate manager, Investec Property Proprietary Limited on exit. USMIL's share of this cost amounted to US\$2,493,989 (US\$2,505,892 x 99.525%)

During the year, a distributor fee amounting to US\$288,000 was payable by USMHLP to Investec Securities Property Limited, a related company. USMIL's share of this cost amounted to US\$286,632 (US\$288,000 x 99.525%).

During the year, a real estate manager fee amounting to US\$216,900 was payable by USMHLP to Investec Property Limited, a related company. USMIL's share of this cost amounted to US\$215,870 (US\$216,900 x 99.525%).

During the year, administration fees amounting to US\$61,669 were payable (31 December 2020: US\$60,098) of which US\$42,922 (31 December 2020: US\$11,250) was outstanding at year end.

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Notes to the financial statements (continued)
For the year from 1 January 2021 to 31 December 2021

13 Subsequent events

On 4 February 2022 the Directors approved a distribution of US\$2,280,000 to the shareholders.

During 2022, Europe and the United States of America imposed sanctions on certain Russian high net worth individuals and their companies. Management have assessed the potential impact of these sanctions on the overall results of USMIL in 2022 and future years and have concluded that the loss of any such client is immaterial. This is considered to be a non-adjusting event. In accordance with ASC 855, Subsequent Events, management has evaluated all events or transactions that occurred after 31 December 2021 and until the date of signing of these financial statements, and no other material events or transactions were identified other than the matter disclosed above.