

US Multifamily Investment Limited
Annual Report and Financial Statements
For the year ended 31 December 2023

US Multifamily Investment Limited
Annual Report and Financial Statements for the year ended 31 December 2023

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US Multifamily Investment Limited
Annual Report and Financial Statements for the year ended 31 December 2023

Officers and Professional Advisers

REGISTERED OFFICE

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

DIRECTORS

Damien Fitzgerald
Michael Schwenke
Barney Lewis (resigned 9 October 2023)
Nicholas Riley (alternate to
Michael Schwenke)
Mark Cleary (resigned 26 January 2023)
Neil Fell (appointed 9 October 2023)

ADMINISTRATOR AND REGISTRAR

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

PRINCIPAL BANKERS IN GUERNSEY

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

LISTING AND ANNUAL SPONSOR

Clarien BSX Services Limited
25 Reid Street
Hamilton
Bermuda HM11

INDEPENDENT AUDITORS

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

LEGAL ADVISOR IN GUERNSEY

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

REAL ESTATE MANAGER

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

DISTRIBUTOR

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

US Multifamily Investment Limited

Annual Report and Financial Statements for the year ended 31 December 2023

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 2023.

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.

Results

The results for the year ended 31 December 2023 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 2023. 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 Moore Stephens Audit and Assurance (Guernsey) Limited as independent auditor was approved by shareholders at the Annual General Meeting held on 28 February 2024.

US Multifamily Investment Limited
Annual Report and Financial Statements for the year ended 31 December 2023

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: 21st June 2024



Director

Date: 21st June 2024

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF US MULTIFAMILY INVESTMENT LIMITED

Opinion

We have audited the accompanying financial statements of US Multifamily Investment Limited (the 'Company') which comprise the Statement of Assets and Liabilities as at 31 December 2023, Schedule of Investments, Statement of Operations, Statement of Changes in Net Assets, Statement of Cash Flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and accounting principles generally accepted in United States of America ("US GAAP").

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its result for the year then ended;
- have been properly prepared in accordance with US GAAP; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included understanding the nature of the Company, its business model, systems of internal control and related risks, reviewing the performance of the underlying investments in the Fund, critically assessing the key assumptions made by management including its appropriateness in the context of the financial reporting framework, and evaluating the directors' plans for future actions in relation to their assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF US MULTIFAMILY INVESTMENT LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How the matter was addressed in the audit |
|--|--|
| <p>Valuation of Investments</p> <p>Refer to Note 7 to the financial statements.</p> <p>The Company has equity and debt investments in US Multifamily Holdings LP ('the Investment Partnership').</p> <p>The investments are carried at fair value as determined by the Directors. The investment in US Multifamily Holdings LP was valued at a total of \$26.8 million as at 31 December 2023 (2022: \$33.7m). This is made up of \$25.2 million (2022: \$30.8m) representing the equity interest (99.525%) of the Company in the Investment Partnership and the remaining \$1.6 million (2022: \$2.9m) is a debt investment which generates interest receivable at a rate of 10.5% compounded annually.</p> <p>The debt investment is fair valued using the period end outstanding balance and accrued interest. The Directors believe that the carrying value approximates the fair value.</p> <p>The equity investment is fair valued using the Company's allocation (99.525%) of the Investment Partnership's net asset value. The Directors estimate the fair value to be the net asset value of the Investment Partnership after adjusting for tax payable in unrealised gains as this is based on the underlying fair value of the Investment Partnership's investments,</p> <p>The Investment Partnership holds a 19.23429% interest in the Cortland Partners Fund IV, LLC (the 'Fund').</p> <p>The Fund's investments comprise investments in real estate entities invested in multifamily properties. The Fund's investments have been fair valued by the Fund based on independent appraiser valuations. Independent appraisers use valuation techniques with significant unobservable inputs. This is inherently subjective due to, among other factors, the individual nature of each property, discount</p> | <p>Our main audit procedures over these investments were as follows:</p> <ul style="list-style-type: none"> • We reviewed the Company's accounting policy, recognition, and measurement of investments, appropriateness of the valuation methodology and performed testing to ensure that the fair valuation had been accounted for in accordance with US GAAP; • We evaluated the design and implementation of controls in relation to the valuation of investments; • We reviewed the existence of the investment by validating the ownership interest of the Company on the investee entities through direct investment confirmations; • We agreed the Company's total commitments in the Investment Partnership to the LPA agreement; • We validated the funded commitments to loan drawdowns, utilisation requests, distributions and testing the allocation of gains and losses attributable to the Company equity interests; • We reviewed the stipulation of the shareholder loan agreement and performed recalculation of the fair value of the debt investment as at 31 December 2023; and, • We agreed the Investment Partnership's investment in the Fund to audited financial statements and capital of the Fund. We performed evaluation for the competence, capabilities, and objectivity of the auditor of Cortland Partners Fund IV, LLC ("the Fund"). <p>The Company's accounting policy on investments is shown in Note 2.</p> |

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF US MULTIFAMILY INVESTMENT LIMITED

| | |
|---|--|
| <p>rates, market rates, its location and requires significant estimates and judgements.</p> <p>The value of the Company's investments is highly material to the Company and errors in valuation could have a material impact on the financial statements of the Company.</p> <p>As a result, we considered the valuation of investments to be an area of focus for our audit and accordingly, a key audit matter.</p> | <p>Key observations</p> <p>There were no significant matters arising from our audit work on the valuation of investments or other key valuation inputs.</p> <p>We confirmed that valuation methodologies adopted were appropriate and obtained sufficient appropriate evidence that the valuation of the investments was not materially misstated and was in line with US GAAP.</p> |
|---|--|

Our application of materiality

We define materiality as the magnitude of misstatements in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing, and extent of our audit work and in evaluating the results of that work. Materiality was determined as follows:

Financial statements as a whole:

\$1,200,000 which is 5% of the audited net assets. This benchmark is considered the most appropriate because we believe that the Company's principal objective is long-term capital growth through investing in US Multifamily Holdings LP. The principal investment invests in multifamily real estate entities. It is considered a balance sheet driven entity and users (the shareholders) are most likely interested in its performance which is reflected by its net asset value.

Communication of misstatements to the Board:

We agreed with the Directors that any misstatement above \$60,000 identified during our audit will be reported, together with any misstatement below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Company's business and is risk based, and in particular included:

- understanding and evaluation of the Company's internal controls environment including its IT systems and controls;
- assessment of the design and implementation of accounting processes and controls in place in the service organisation, Zedra Fund Managers (Guernsey) Limited.
- performed audit procedures on valuation analysis.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements of the Company, taking account of the structure of the Company.

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF US MULTIFAMILY INVESTMENT LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors

As explained more fully in the Statement of responsibilities of the Directors set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) 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 these financial statements.

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF US MULTIFAMILY INVESTMENT LIMITED

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the Company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the Company and considered that the most significant but not limited to are the Companies (Guernsey) Law, 2008, the Protection of Investors (Bailiwick of Guernsey) Law, 2020, the Registered Collective Investment Schemes Rules and Guidance 2021, and any successor rules. We also reviewed the laws and regulations applicable to the Company that have an indirect impact on the financial statements.
- We obtained an understanding of how the Company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- We reviewed the compliance reports and minutes of the meeting to see whether there is non-compliance reported to management and those charged with governance.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's shareholders as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Jeff Vincent

For and on behalf of Moore Stephens Audit and Assurance (Guernsey) Limited

PO Box 146

Level 2 Park Place

Park Street

St Peter Port

Guernsey, GY1 3HZ

Dated: 26/6/24

US Multifamily Investment Limited
Annual Report and Financial Statements for the year ended 31 December 2023

Statement of Assets and Liabilities
As at 31 December 2023

| | | 31 December 2023 | 31 December 2022 |
|--|--------------|---------------------|---------------------|
| Assets: | Notes | US\$ | US\$ |
| Investment - equity interest (cost: US\$12,611,467) | | 25,236,407 | 30,840,094 |
| Investment - debt interest (cost: US\$1,569,877 accrued interest: US\$35,021) | | 1,604,898 | 2,918,520 |
| Total investment assets | 7 | <u>26,841,305</u> | <u>33,758,614</u> |
| Cash and cash equivalents | | 41,791 | 69,842 |
| Total assets | | <u>26,883,096</u> | <u>33,828,456</u> |
| Liabilities and Shareholders' Equity: | | | |
| Liabilities | | | |
| Other creditors - due to related party | 12 | 12,360 | 23,621 |
| Other creditors | | 25,737 | 22,456 |
| Total liabilities | | <u>38,097</u> | <u>46,077</u> |
| Total Net Assets: | | <u>26,844,999</u> | <u>33,782,379</u> |
| Total Net Assets consist of: | | | |
| Shareholders' equity | | | |
| Issued share capital | 8 | 33,474,000 | 33,474,000 |
| Share premium | 8 | 26,000 | 26,000 |
| Retained earnings | 8 | (6,655,001) | 282,379 |
| Total shareholders' equity | | <u>26,844,999</u> | <u>33,782,379</u> |
| Net asset value per share | | <u>US\$ 801.97</u> | <u>US\$ 1009.21</u> |

These financial statements were approved by the Board of Directors on 21/6/24

Damian Fitzgerald

Director

NAS

Director

The accompanying notes form part of these audited financial statements.

US Multifamily Investment Limited
Annual Report and Financial Statements for the year ended 31 December 2023

Schedule of Investments
As at 31 December 2023

31 December 2023

| | Investments by Geography | Investments by Industry | Cost US\$ | Fair Value US\$ | Fair Value as a % of Net Assets |
|-------------------------------------|-------------------------------------|------------------------------------|----------------------|----------------------------|--|
| US Multifamily Holdings LP - equity | USA | Real estate | 12,611,467 | 25,236,407 | 94.01% |
| US Multifamily Holdings LP - debt | USA | Real estate | 1,604,898 | 1,604,898 | 5.97% |
| Total Investments | | | 14,216,365 | 26,841,305 | 99.98% |

31 December 2022

| | Investments by Geography | Investments by Industry | Cost US\$ | Fair Value US\$ | Fair Value as a % of Net Assets |
|-------------------------------------|-------------------------------------|------------------------------------|----------------------|----------------------------|--|
| US Multifamily Holdings LP - equity | USA | Real estate | 12,611,467 | 30,840,094 | 91.29% |
| US Multifamily Holdings LP - debt | USA | Real estate | 2,918,520 | 2,918,520 | 8.64% |
| Total Investments | | | 15,529,987 | 33,758,614 | 99.93% |

The accompanying notes form part of these audited financial statements.

US Multifamily Investment Limited
Annual Report and Financial Statements for the year ended 31 December 2023

Statement of Operations
For the year from 1 January 2023 to 31 December 2023

| | 1 January 2023 to 31 December 2023 | 1 January 2022 to 31 December 2022 |
|--|---------------------------------------|---------------------------------------|
| | US\$ | US\$ |
| Investment Income | | |
| Interest income on debt investment | 290,622 | 978,632 |
| Dividend income | 765,756 | 4,289,448 |
| Total investment income | <u>1,056,378</u> | <u>5,268,080</u> |
| Expenses | | |
| Administration fees | (46,174) | (58,983) |
| Audit fees | (27,712) | (26,619) |
| Other expenses | (16,185) | (18,507) |
| Total expenses | <u>(90,071)</u> | <u>(104,109)</u> |
| Net investment income | <u>966,307</u> | <u>5,163,971</u> |
| Unrealised (loss)/gain on investment | | |
| Net unrealised (loss)/gain on investment | <u>(5,603,687)</u> | <u>1,529,134</u> |
| Net (decrease)/increase in net assets resulting from operations | <u><u>(4,637,380)</u></u> | <u><u>6,693,105</u></u> |

The accompanying notes form part of these audited financial statements.

US Multifamily Investment Limited
Annual Report and Financial Statements for the year ended 31 December 2023

Statement of Changes in Net Assets
For the year from 1 January 2023 to 31 December 2023

| | 1 January 2023 to 31 December 2023 | 1 January 2022 to 31 December 2022 |
|--|---------------------------------------|---------------------------------------|
| | US\$ | US\$ |
| Net (decrease)/increase in net assets resulting from operations | | |
| Net investment income | 966,307 | 5,163,971 |
| Net unrealised (loss)/gain in investment | (5,603,687) | 1,529,134 |
| Net (decrease)/increase in net assets resulting from operations | <u>(4,637,380)</u> | <u>6,693,105</u> |
| Net change from capital transactions | | |
| Distributions to shareholders | <u>(2,300,000)</u> | <u>(15,613,778)</u> |
| Total decrease in net assets in the year | (6,937,380) | (8,920,673) |
| Net assets at the beginning of the year | 33,782,379 | 42,703,052 |
| Net assets at the end of the year | <u><u>26,844,999</u></u> | <u><u>33,782,379</u></u> |

The accompanying notes form part of these audited financial statements.

US Multifamily Investment Limited
Annual Report and Financial Statements for the year ended 31 December 2023

Statement of Cash Flows
For the year from 1 January 2023 to 31 December 2023

| | 1 January 2023 to 31 December 2023 | 1 January 2022 to 31 December 2022 |
|--|---------------------------------------|---------------------------------------|
| | US\$ | US\$ |
| Cash flows from operating activities: | | |
| Net (decrease)/increase in net assets from operations | (4,637,380) | 6,693,105 |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash flows provided by operating activities: | | |
| Net unrealised loss/(gain) on investment (equity interest) | 5,603,687 | (1,529,134) |
| Debt interest accrued on investment (debt interest) | (290,622) | (978,632) |
| Interest and loan repayment received | 1,604,244 | 11,455,104 |
| Changes in operating assets and liabilities: | | |
| Decrease in due to related party | (11,261) | (19,302) |
| Increase/(decrease) in other creditors - due to related party | 3,281 | (5,020) |
| Net cash flows generated from operating activities | <u>2,271,949</u> | <u>15,616,121</u> |
| Cash flows used in financing activities: | | |
| Distributions paid to shareholders | (2,300,000) | (15,613,778) |
| Net cash flows utilised in financing activities | <u>(2,300,000)</u> | <u>(15,613,778)</u> |
| Net (decrease)/increase in cash and cash equivalents during the year | <u>(28,051)</u> | <u>2,343</u> |
| Cash and cash equivalents at the beginning of the year | 69,842 | 67,499 |
| Cash and cash equivalents at the end of the year | <u><u>41,791</u></u> | <u><u>69,842</u></u> |

The accompanying notes form part of these audited financial statements.

Notes to the financial statements
For the year from 1 January 2023 to 31 December 2023

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 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.

Notes to the financial statements (continued)
For the year from 1 January 2023 to 31 December 2023

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 the investment in 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\$26,841,305 as of 31 December 2023 (2022: US\$33,758,614). This is made up of an amount for US\$1,604,898 (2022: US\$2,918,520) 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\$25,236,407 (2022: US\$30,840,094) 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.

Notes to the financial statements (continued)
For the year from 1 January 2023 to 31 December 2023

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 2023, 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.

Notes to the financial statements (continued)
For the year from 1 January 2023 to 31 December 2023

3 Investments held by USMIL (continued)

Fair value measurements (continued)

As of 31 December 2023, 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 fifth 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 (par value) 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 2023 US\$ | Year ended 31 December 2022 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 | 1,009.21 | 1,275.71 |
| Gain from investment operations: | | |
| Net investment income | 28.87 | 154.27 |
| Net unrealised gain in investment | (167.40) | 45.68 |
| Total (loss)/gain from investment operations | (138.53) | 199.95 |
| Less: Distributions to shareholders | (68.71) | (466.44) |
| Net asset (decrease)/increase per share for the year | (207.24) | (266.50) |
| Net asset value per share at end of the year | 801.97 | 1,009.21 |
| Total return for the year | (13.73%) | 15.67% |
| Percentage and supplemental data: | | |
| Average net asset value held in the year (US\$) | 30,313,689 | 38,242,716 |
| Percentages of average net asset value on an annualised basis: | | |
| | 31 December 2023 | 31 December 2022 |
| Expenses | 0.30% | 0.27% |
| Net investment income | 3.19% | 13.50% |
| Net unrealised gain in investment | -18.49% | 4.00% |
| Distributions to shareholders | 7.59% | 40.83% |
| Internal Rate of Return | 16.71% | 20.30% |

Notes to the financial statements (continued)
For the year from 1 January 2023 to 31 December 2023

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. Furthermore, the uncertainty in liquidity and prices of real estate and real estate related investments, 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 2023, the cost of USMIL's investment into USMHLP (net of repayments) was \$14,181,344 (2022: US\$15,451,554). 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\$1,569,877 plus accrued interest of US\$35,021 (2022: US\$2,840,087 plus accrued interest of US\$78,433), being 11.07% (2022: 18.38%) 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 2023, US\$290,622 of interest was compounded (2022: US\$978,632) and US\$255,601 (2022: US\$1,135,480) 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 88.93% (2022: 81.62%) 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.

Notes to the financial statements (continued)
For the year from 1 January 2023 to 31 December 2023

8 Total shareholders' equity

| | Par value US\$ | Share premium US\$ | Retained earnings US\$ | Total US\$ |
|--------------------------------|-------------------|--------------------------|------------------------------|-------------------|
| Balance as at 31 December 2021 | 33,474,000 | 26,000 | 9,203,052 | 42,703,052 |
| Retained earnings for the year | - | - | 6,693,105 | 6,693,105 |
| Distributions to shareholders | - | - | (15,613,778) | (15,613,778) |
| Balance as at 31 December 2022 | 33,474,000 | 26,000 | 282,379 | 33,782,379 |
| Retained earnings for the year | - | - | (4,637,380) | (4,637,380) |
| Distributions to shareholders | - | - | (2,300,000) | (2,300,000) |
| Balance as at 31 December 2023 | <u>33,474,000</u> | <u>26,000</u> | <u>(6,655,001)</u> | <u>26,844,999</u> |

All shares are fully paid and, as at 31 December 2023 there are 33,474 shares in issue (31 December 2022: 33,474 shares in issue). The company may issue an unlimited number of shares.

9 Provision for deferred taxation in USMHL P

USMIL is exempt from Guernsey income tax. USMHL P 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\$5,435,892) has been considered in determining the fair value of the investments held by USMHL P.

10 Capital commitments

The capital contributed to USMHL P 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 (2022: 125 shares) of USMIL as at 31 December 2023. These shares are held through nominee companies.

At year end, the provision for the performance fee amounted to US\$2,296,661 (2022: US\$3,722,274) which will be payable by USMHL P to the real estate manager, Investec Property Proprietary Limited on exit. USMIL's share of this cost amounted to US\$2,285,752 (US\$2,296,661 x 99.525%), as at 31 December 2022 the cost amounted to US\$3,704,593 (US\$3,722,274 x 99.525%). The charge for the year was US\$1,425,613 (2022: Expense of US\$1,216,382)

During the year, a distributor fee amounting to US\$288,000 (2022: US\$288,000) was payable by USMHL P 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%), as at 31 December 2022 the cost was US\$286,632 (US\$288,000 x 99.525%). US\$96,263 (2022: US\$240,263) was payable at the year end.

During the year, a real estate manager fee amounting to US\$216,900 (2022: US\$216,900) was payable by USMHL P to Investec Property Limited, a related company. USMIL's share of this cost amounted to US\$215,870 (US\$216,900 x 99.525%), US\$108,895 (2022: US\$54,670) was payable at the year end.

During the year, administration fees amounting to US\$46,174 were payable to Zedra Fund Managers (Guernsey) Limited, the administrator and registrar (2022: US\$58,983) of which US\$12,360 (2022: US\$23,621) was outstanding at year end. The fee is 15 basis points on the average of the opening and closing net asset value for the year.

Notes to the financial statements (continued)
For the year from 1 January 2023 to 31 December 2023

12 Related party transactions (continued)

In the opinion of the directors there is no controlling party as no one party has the ability to direct the financial and operating policies of the company, with a view to gaining economic benefits from their direction.

13 Subsequent events

Management has evaluated all events or transactions that occurred after 31 December 2023 and until the date of signing of these financial statements, and no other material events or transactions were identified. A distribution of \$500,000 was made to investors on 30 April 2024.