VICTOR SMORGON PARTNERS US REAL ESTATE FUND III INVESTOR UPDATE – September 2023

Fund Overview

Victor Smorgon Partners US Real Estate Fund III (the Fund)'s strategy is to invest in real estate across multiple geographic jurisdictions in the US.

Utilising its deep relationships with the US partner networks, the Fund will select what it regards as the best opportunities across a range of sub-markets.

The initial focus of the Fund was multifamily, ground up single family residences, ground up short term rentals and purpose-built vacation rentals, manufactured homes and logistic sites.

While the Fund continues to explore various sub-categories, current market conditions mean that the best opportunities for investment are within the multifamily sector.

The Fund's targeted IRR for multifamily projects is 13%-15% (before Fund expenses being Management and Performance fees, legal, accounting and administration fees) of the 5-year Fund life.

The Fund does not revalue its underlying assets.

Fund Update – September 2023

Over the quarter the Fund invested in two new projects, a Multifamily property (Enclave at North point) as well as a Condominium and Marina property (Cannonsport Marina) bringing the total number of properties to fourteen (14).

Portfolio category overview

- Multifamily: 11
- Vacation Rental: 1
- Development: 1
- Condominium & Marina: 1

Of the Multifamily properties, it is encouraging to observe that, 8 properties are generating income and are yielding on average an annualised 4%. One property is experiencing larger interest rate expenses than anticipated, despite positive operational performance. The remaining two (2) properties are new projects and still require the manager to complete their business plan.

The remaining properties (1) Vacation Rental (1) Development (1) Condominium & Marina) are all performing to original expectation.

Committed capital	USD$29m
Fund net assets	USD$25m
NAV per Unit	$0.874
Distributions	$0.004
As of 30 November 2023 the Fund had called 87% of committed capital.	
Number of properties	14

The Fund will distribute its first investor distributions of USD$100K (1.6% annualised) this month. We intend to pay quarterly distributions going forward, in line with project's performance.

US Property Market

The overall US market is facing some headwinds and obstacles.

Interest rates dramatically increased during the quarter, triggering many challenges, including higher interest rate expenses for floating rate loans, and reduced proceeds on refinancings and new loans due to the quiet activity across debt and sales markets.

The Fund is well positioned to withstand these higher costs as majority are financed via fixed rate loans.

- Fixed rate loans: 9
- Floating rate loans: 4
- Combination of Fixed/Floating: 1

Our US partners are proactively pursuing the option to refinance to fixed interest rate loans where possible.

The Fund Manager continues to assume a disciplined and deliberate due diligence process on future acquisitions. As a result of the current challenging property and debt markets, the Fund has slowed deploying capital in recent months.

We expect to call the remaining 13% committed capital by June 2024.

Multifamily (78% of the Fund)

Overall, our eleven (11) Multifamily assets are performing well. On average, occupancy for the quarter sits at 90%. Likewise, rents have increased 2% from last quarter, ranging from 1% - 5% and, moreover, are approximately 9% higher since acquisition. While rents are still rising, the market is returning to a more stabilised pattern.

The rental and renewal market has experienced softness and certain communities are experiencing lower occupancy.

Underlying property costs for the quarter have risen. The major cost increases include insurance, higher property taxes, higher labour, utility, and turn costs.

The seven (7) Multifamily properties financed with fixed interest rates continue to demonstrate strong operational profitability, with the exception of one property which is struggling from low occupancy. Management continues to believe the solution here will come through better staffing, marketing, and PR promotion.

One project is financed through a combination of fixed and floating debt which is performing well and in line with budget.

The properties financed with floating interest rates (3 properties) face challenges due to high short-term interest rates expenses, leading to breakeven levels of profitability and little distributable cash.

Our on-site team continues to work diligently to secure favourable increases on new leases, including renewals, and driving up Net Operating Income across all our Multifamily assets.

Vacation Rentals (8% of the Fund)

Villatel Orlando is a one-of-a-kind 526-unit, purpose-built vacation rental resort, in the heart of the leading tourist district in Orlando.

As of Q3 2023, 457 homes (87% of total inventory) are owned or under construction, leaving only 69 homes left to start (13% of total inventory). The project remains on budget with no material change orders.

Homes have officially entered the rental pool in late November and are now live on all marketing channels accepting bookings and stays.

Development (2% of the Fund)

The Winchester, is a 264 unit, ground up Class A Multifamily development in Huntsville Alabama. The project is distributing a 10% coupon on preferred equity during construction.

Construction is progressing at a rapid pace, yet slightly delayed due to material shortages. Completion of the clubhouse and the first few buildings are targeting late December for first move-ins.

Portfolio Properties – New Projects

Property:	**Enclave at North Point**
Location:	Winston-Salem, NC
Category:	Multifamily – Class C
No of Units:	370

Built in 1978, the project is a garden-style Multifamily asset, offering a mix of studios, 1-, 2-, 3-bedroom floorplans. The Property also offers various amenities, including a clubhouse, fitness centre, pool, playground, on-site laundry facilities and a dog park.

The Business Plan is to create significant value by marking rents to market levels and completing the in-unit and exterior capital renovation program that has been initiated by the Seller. The Seller has renovated 83 units (22% of total units) which, on average, has achieved a 28% rent premium over classic units. The intention is to continue renovating the remaining units and capitalise on the higher rents.

In addition, the Business Plan calls for an upgrade to the amenity offering, remodelling the clubhouse, updating signage, and addressing the deferred maintenance that has not yet been addressed by the Seller.

The project is also assuming favourable in-place financing, which is especially important given today's volatile capital markets. We have mitigated capital market risk by assuming fixed debt at an interest rate of 2.86%, which has more than nine years of term remaining, with approximately 4.5 years of interest only payments.


Enclave at North Point

Condominium & Marina (12% of the Fund)

Property:	**Cannonsport Marina**
Location:	Palm Beach Shores, FL
Category:	Condominium & Marina
No of Units:	35
No of Boat Slips:	52

Originally developed in 2007 as "for-lease" condominium units, the Property features two components: (i) a 35-unit waterfront community and (ii) a boutique 52-slip marina, which offers a unique combination of luxury residential condos with spectacular water views and boating amenities.

The community is currently operated as a for-lease apartment community at well below-market rents.

The Business Plan is to unlock the enormous upside in the asset through:

(i) Converting, and selling the residential units as condominiums, while simultaneously undertaking renovation of these units to a high-end modern standard. Additionally, there will be exterior building upgrades, as well as repositioning to the community amenities, including the pool and fitness centre, to a contemporary standard.

(ii) Optimising operations and then selling the marina. We will focus on stabilising the marina operations by engaging a best-in-class marina operator and marking boat slip rents to market (as rents are currently at least 30% below market rate). The new operator will focus on optimising occupancy, increasing fuel sales, and enhancing overall market positioning.

The other value-add enhancement to the marina will also include the addition of 12 new boat lifts to accommodate smaller boats, which are expected to at least double rents on those smaller slips.

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Figure 1: Geographic spread of the Fund portfolio assets

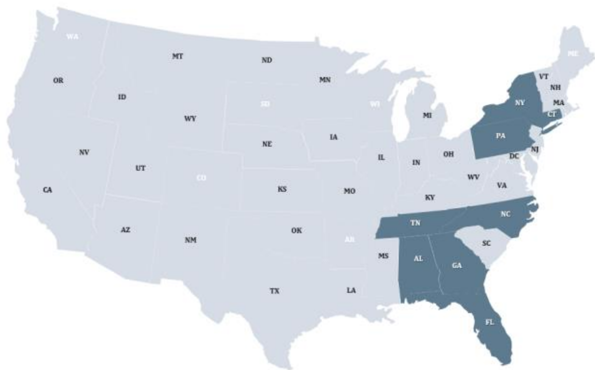
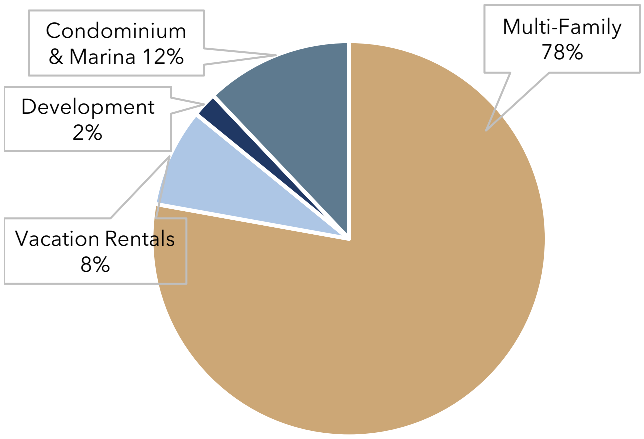


Figure 2: Portfolio Composition



Fund-Terms

Investment Vehicle	Australian Wholesale Unit Trust
Investment Manager	Victor Smorgon Partners
Trustee	Gannet Capital Pty Ltd (AFSL No. 340799
Administrator	Unity Fund Services Pty Limited
Investor Eligibility	Wholesale investors
Distributions	Quarterly (to the extent that the Fund has Net Income)

Minimum Investment	USD$100,000
Management Fee	1% p.a.
First Close	30 June 2022
Performance Fee	20% of amounts above called capital and hurdle
Hurdle	8% IRR