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# MONTHLY UPDATE

## SPIRE USA ROC SENIORS HOUSING AND MEDICAL PROPERTIES FUND (AUD) December 2015

### Key Fund Details

<b>APIR Code:</b>	ETL0412AU
<b>Responsible Entity:</b>	Equity Trustees Limited
<b>Commencement:</b>	20 May 2014
<b>Fund Size:</b>	A\$69.25 million
<b>Rating:</b>	Highly Recommended (Zenith Investment Partners)
<b>Application Status:</b>	CLOSED

### Fund Profile

The Fund acts as an Australian feeder fund into the assets of ROC Seniors Housing & Medical Properties Fund LP (“ROC Seniors”). ROC Seniors is a US\$737 million (equity) “buy, fix, sell” private equity real estate fund, investing in value-add US seniors housing and medical properties.

The Fund owns a 6.91% share of a diversified current portfolio of 29 separate seniors housing assets across the US, comprising 3,580 rental units. This initial portfolio has been acquired for approximately US\$680 million. This portfolio, represents deployment of approximately 42% of the capital which has been committed to the ROC Seniors Funds.

### Manager Profiles

The US Investment Manager is Bridge Investment Group Partners, LLC. Bridge has over 25 years experience in successful investment in US value-add real estate and a platform of over 1,000 employees.

Spire Capital Pty Ltd is the Australian Fund Manager. Spire via its Global Investment Series democratizes and structures leading global institutional quality investment opportunities for the Australian private wealth and SMSF market.

### Ordinary Unit Price and Performance (Net of Fees)

as at 31 December 2015 based upon underlying fund data as at 30 September 2015.

<b>Unit Price:</b>	<b>\$1.1875</b>
1 month:	n/a
Rolling 3 months:	n/a
Rolling 6 month:	n/a
Rolling 12 month:	n/a
FYTD:	n/a
Since Inception:	18.75%
Since inception (p.a):	12.11%

#### Note on Performance Data:

As per the PDS, during the Offer Period, the Unit Price for the Fund was maintained at \$1.00. However, as the capital that was raised by the Fund on a monthly basis was converted to US dollars on a monthly basis, the Issue Price, (which determined the number of Units that an investor received for their Application Amount), was adjusted for the AUD/USD Foreign Exchange amount on a monthly basis.

Now that the Offer Period has finished, the Unit Price will be calculated monthly on the basis on the Fund's Net Asset Value (NAV). As such, December 2015 is the first month the Unit Price is NAV based.

Individual investor performance will vary according to the Issue Price at which they were issued Units in the Fund. Pre 30 June investors are reminded that they received a distribution of capital gains from FX movements for the 2014 /2015 Financial Year as at 30 June.

## Monthly Update

The Fund completed capital raising in the month of December, raising approximately A\$68.4 million. This capital has been raised to fund 100% of the Fund's US\$51 million capital commitment to the underlying ROC Seniors Fund, plus associated formation expenses and working capital.

To date, 42.5% of the Fund's US\$51 million has been called by the General Partner for deployment into the initial ROC Seniors' portfolio. The balance of the Fund's committed capital is held in USD cash. As you will read on the following page in the quarterly letter from ROC Seniors Fund CEO Robb Chapin, it is expected that the balance of the Fund's capital commitment will be called for deployment into additional ROC Seniors assets over the next 3 to 4 quarters. We have been advised that the first of these capital calls is scheduled for late January 2016.

A complete copy of the Third Quarter Report 2015 (i.e. as at 30 September 2015) for ROC Seniors Housing Fund, from which Mr Chapin's letter has been extracted, is provided as an addition to this Monthly Update. This report provides a detailed update on each of the assets in which the Fund is invested, together with portfolio performance data.

Investors and advisors should note that under US GAAP accounting standards, quarterly asset values for the first 6 months of ownership must represent purchase price, less acquisition expenses. Thus for these assets, investors will note a Return Multiple of less than 1.0x ( *page 5 of Quarterly Report* ). Assets owned for greater than 6 months must be valued at market. As such, assets which are deemed to have increased in value will show a Return Multiple of greater than 1.0x. Assets which have been owned for greater than 6 months but still require some "heaving lifting" such as significant renovation and re-leasing works to optimise the property's cash flow and value, may still be valued at a figure which results in a Return Multiple of less than 1.0x.

As at 30 September 2015, 65.5% of ROC Senior Housing Fund's 29 assets had been owned for less than 6 months, and as such the average Return Multiple for the portfolio was 0.97x. The portfolio's best performing asset, River Point of Kerville, Texas (acquired in November 2014), had a Return Multiple of 2.0x as at 30 September 2015 - meaning that the asset's equity value had doubled to date as a result of the execution of the property's value-add business plan.

This process of an initial, sometimes extended, negative Return Multiple, which then is expected to "turn" to a Return Multiple above and beyond 1.0x following execution of value-add strategies, is known as the "J-curve" and is a normal part of opportunistic or value-add private equity real estate investments.

For example, Bridge IGP's ROC II Fund (2012 vintage), now has an average 1.72x asset level Return Multiple across its 55 asset, US\$2.1 billion portfolio, despite each asset typically having an initial 0.94x to 0.96x Return Multiple following acquisition.

Investors and their advisors will be able to track the J-curve of the portfolio and each asset by reviewing the underlying fund's Quarterly Reports. The next of these, as at 31 December 2015, will be available in April.

## Unit Price

December 2015 is the first month in which the Fund has calculated a unit price based upon the Fund's NAV divided by the final number of units on issue. Prior months unit prices, as per the PDS, have been based upon the initial \$1.00 Issue Price adjusted for AUD / USD currency movements only. The December 2015 Unit Price is thus the first month in which the value of the Fund's interest in the underlying fund is included in the Unit Price. It is also the first month that the Fund's formational and operational expenses have been included in the unit price calculation.

## Distribution of Dollar Day's Interest

Investors were recently provided a small distribution of interest on cash held during the Offer Period calculated on a Dollar Days basis, from the date of each individual investor's application. Unfortunately the Statement provided by the Fund Administrator did not have the room for this entire calculation which has caused some confusion. If any investor requires the full calculation of their interest amount please email [info@spirecapital.com.au](mailto:info@spirecapital.com.au) and provide a copy of the Statement in question.



## Letter from the CEO of the US based Investment Manager

Dear Partner,

Thank you for your support of ROC | Seniors Housing & Medical Properties Funds (“ROC | Seniors Housing” or the “Partnerships”). We are pleased to share with you the ROC | Seniors Housing Quarterly Report for the quarter ending September 30, 2015. In this letter, we provide (i) our views on the seniors housing and medical properties market; (ii) an update on the progress of the Partnerships’ capital-raising; and (iii) an update on the Partnerships’ investment activities to date.

The U.S. seniors housing market had a positive trend in occupancy and rent growth during the third quarter as the national economic picture continues to brighten and demographic trends led by the unprecedented growth of the 75 and older segment favor strengthening demand. Absorption accelerated during the quarter, as the increase in supply from the first half of the year maintained excellent occupancy. We continue to source highly accretive investments that are largely “off market” and we continue to believe the current environment is favorable for investing capital in the seniors housing and medical properties sectors.

ROC Seniors Housing Fund Manager, LLC raised \$737 million in equity capital commitments as of the final closing on July 13, 2015 (\$578.4 million for ROC | Seniors Housing and \$158.6 million for the ROC Seniors Housing & Medical Properties Co-Investment Fund LP), the “ROC Seniors Family of Funds.”

As of September 30, 2015, the Partnerships have invested 42.2% (or \$244 million) of its available equity into 29 seniors housing assets (3,580 units), representing approximately \$680 million of gross asset value.

During the quarter ending September 30, 2015, ROC | Seniors Housing acquired two assets (601 units) – representing \$34 million of equity and approximately \$90 million of gross asset value, including:

- the \$78.1 million acquisition of **Jacaranda Trace**, a large-scale independent living community consisting of 492 units in Venice, Florida; and
- the \$12.5 million acquisition of **DePalma Terrace**, a 109 unit assisted living community in Placentia, CA.

During the quarter ending December 31, 2015, ROC | Seniors Housing expects to acquire or begin developing 13 additional seniors housing assets (1,600 units) – representing approximately \$502 million of gross asset value. Each of these seniors housing communities is situated in a market that benefits from compelling supply-demand demographics, high barriers to entry and projected growth in its aging population. Together with the Partnerships’ existing 29 assets, these assets will further highlight our teams’ extraordinary industry expertise, in-depth relationships and creative capital platform solutions all of which translate into excellent value creation for ROC | Seniors Housing.

Given the outstanding investments described above, coupled with our vibrant pipeline of new acquisitions, ROC | Seniors Housing anticipates a steady draw down of your capital commitment of approximately 90% to 95% over the next three to four quarters. This forecast is well ahead of the Partnerships’ four year investment window. Additionally, the Partnerships anticipate paying a distribution during the quarter ending December 31, 2015, and will continue to distribute profits on a quarterly basis hereafter.

Thank you, once again, for your support of ROC | Seniors Housing. If you should have any questions regarding the Partnerships or your investment, please do not hesitate to contact us.

Respectfully yours,

A handwritten signature in blue ink, appearing to read "Robb Chapin".

Robb Chapin  
Chief Executive Officer

Equity Trustees Limited ("EQT"), ABN 46 004 031 298 and Australian Financial Services Licence Number 240975, is the Responsible Entity of the Fund. Spire Capital Pty Ltd ("Spire") ABN 21 141 096 120 and (wholesale) Australian Financial Services Licence Number 344365 is the Fund Manager of the Fund. This Monthly Update has been prepared by Spire for information purposes only. It does not contain investment recommendations nor provide investment advice. Neither EQT nor Spire nor their related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in the Fund. Past performance is not necessarily indicative of future performance. Professional investment advice can help you determine your tolerance to risk as well as your need to attain a particular return on your investment. You should not act in reliance of the information of this Monthly Update. We strongly encourage you to obtain detailed professional advice and read the relevant product disclosure statement in full before making an investment decision. Applications for an investment can only be made on an application form accompanying a current Product Disclosure Statement ("PDS").