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## QUARTERLY UPDATE

### SPIRE WHOLESALE ALTERNATIVE INCOME FUND NO. 1 (AUD) Q1 March 2017

#### Key Fund Details

**APIR Code:** SPI0001AU  
**Fund Manager / Trustee:** Spire Capital Pty Ltd  
**Commencement:** 9 November 2015  
**Fund Size:** A\$8.17 million  
**Application Status:** CLOSED

#### Fund Profile

Spire Wholesale Alternative Income Fund No.1 (AUD) ("SWAIF" or "Fund") acts as an Australian feeder fund into the USD denominated assets of three private debt strategies managed by Bridge Investment Group, LLC; namely Bridge Debt Strategies I (formerly ROC Debt Strategies Fund), LP ("BDSI"), ROC Debt Strategies KF12, LLC ("KF12") and Bridge Debt Strategies Fund II, LP ("BDSII")

The BDSI & BDSII Funds invest in a pool of US Dollar denominated first mortgage or mezzanine loans or preferred equity, secured by US multifamily apartment or seniors housing communities or commercial office properties.

KF12 invests in the US Dollar denominated Class C Certificates of a specific December 2015 Freddie Mac Multifamily loan securitisation program known as K-F12. These loans are secured by a portfolio of 79 stabilised multifamily apartment and seniors housing communities throughout the US, which had at acquisition an average occupancy at of 94.7% and an average Loan to Value Ratio of 72.4%.

The Fund is co-invested in KF12, holding its interest alongside US based private equity and private credit investor Portfolio Advisors.

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

as at 31 March 2017 based upon underlying fund Partnership Statements dated 31 December 2016

Unit Price	3 months	6 months	1 year	3 years (% p.a)	Since Inception (% p.a)
\$0.9686	-3.78%	3.09%	8.90%	N/A	1.67%

#### Quarterly Update

The performance of the Fund was negatively affected by the 5.31% increase in the value of the Australian dollar from USD 0.7241 to USD 0.7629 during the period 31 December 2016 to 31 March 2017. The Fund does not hedge its US Dollar currency exposure. USD distributions received from the Fund's underlying investments positively contributed to performance.

Below is a summary update for each of the Fund's underlying investments. A comprehensive underlying investment summary will also be provided to unit holders in addition to this Quarterly Update.

## Underlying SWAIF Investments / J-Curve Dashboard

As at 31 December 2016

Metric	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Fund's Committed Capital (USD) to BDS	2,825,000	2,825,000	2,825,000	2,825,000	2,825,000
Percentage of Capital Called for BDS	100%	100%	86.4%	99.2%	99.3%
IRR / Equity Multiple on Called Capital BDS	NM / 0.98%	1.8% / 1.05x	4.6% / 1.04x	6.8% / 1.06x	7.2% / 1.09x
Fund's Committed Capital (USD) to KF12	2,833,275	2,714,653	2,833,275	2,833,275 <sup>1</sup>	2,833,275 <sup>1</sup>
Percentage of Capital Called for KF12	100%	100%	99.9%	51.5% <sup>1</sup>	51.5% <sup>1</sup>
IRR / Equity Multiple on Called Capital KF12	NM	NM	8.3% / 1.04x	8.8% / 1.13x	7.5% / 1.12x
Fund's Committed Capital (USD) to BDSII					1,327,750 <sup>2</sup>
Percentage of Capital Called for BDSII					0% <sup>2</sup>
IRR / Equity Multiple on Called Capital BDSII					NA

### Notes:

1. KF12 was the subject a re-remic (re-securitization) in Q3 which saw the Fund receive a return of non-callable capital, the majority of which was committed to BDSII. Thus the Fund's position in KF12 represents full investment in KF12.
2. The Fund's first Capital Call for BDSII for 46% of Committed Capital was paid subsequent to the Q4 Partner Statement, on 31 January 2017.

### Q4 Investor Letters

Please note all dollar amounts and returns are US Dollar denominated.

### **BDSI**

Dear Partner,

Thank you for your continued support of the Bridge Debt I Funds ("Bridge Debt I Funds" or the "Partnerships"). We are pleased to share with you the Quarterly Report for the period ending December 31, 2016. In this letter, we provide an update on the Partnerships' investment activities to date.

In February 2017, Bridge Investment Group, formerly known as Bridge Investment Group Holdings LLC, introduced the company's new name and logo. The new branding was motivated by a desire to unify how stakeholders view us and to simplify our organization in a cohesive way. Bridge is taking this opportunity to strengthen its identity with an energetic and elevated logo that builds upon its owner/operator heritage. As part of this initiative, the name of ROC|Debt Strategies Fund I LP has changed to Bridge Debt Strategies Fund I LP.

As always, we continue efforts to improve our communications so the information we provide will be clear and complete. Should you have any questions about the information in the reports, please see the notes page at the end of each report, and of course, feel free to contact our Australian partner Spire Capital.

### INVESTMENT ACTIVITY UPDATE

Bridge Debt I Funds' current 12 investments have a gross asset value of \$211.0 million and reflect the targeted portfolio composition. The Partnerships' capital investment in this portfolio totalling \$118.7 million is detailed as follows:

- \$4.8 million investment in a Freddie Mac K-Series CMBS subordinated tranche (K716);
- \$6.3 million floating rate loan secured against 6901 South Havana, a 136,988 square foot office building in Centennial, CO;
- \$14.2 floating rate loan secured against 1500 City West, a 192,313 square foot office building in Houston, TX;
- \$11.5 million mezzanine loan which was purchased in two equal components in January and November of 2015, secured against a portfolio of 13 multifamily properties (2,199 total units) located in various MSAs in Florida;
- \$10.3 million investment in a Freddie Mac K-Series CMBS subordinated tranche (K1501);
- \$17.8 million investment in a Freddie Mac K-Series CMBS subordinated tranche (K719);
- \$9.3 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF12);
- \$5.5 floating rate commitment secured against Thunderbird Village, a 182-unit multifamily property in Vancouver, Washington;
- \$7.1 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF14)
- \$2.4 million floating rate loan secured against 4 Mountainview Terrace, a 64,255 square foot office building in Danbury, CT;
- \$12.5 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF16);
- \$15.0 million floating rate loan secured against the Eagle Multifamily Portfolio, comprising six multifamily properties (1,242 units) located in Orlando & Daytona Beach, FL; and
- \$2.0 million restricted cash deposit with Wells Fargo Bank NA associated with the fund warehouse line of credit.

In addition, we had one realization in the 4th quarter of 2016:

- \$2.1 million preferred equity investment against Antero Apartments, a 528 unit multifamily property in Colorado Springs, CO;

The Quarterly Investment Summary Package provides further detail on each of the current investments held by the Partnerships. Together, our 13 closed transactions currently project a gross 13.0% IRR, which we anticipate will manifest in strong quarterly distributions for our investors of approximately 7-8% before netting out fund expenses.

Bridge Debt I Funds has made substantial progress since its inception in September 2014. As of August 2016, the Partnerships are fully deployed in a portfolio that is projected to deliver solid returns with carefully managed risk. Like all private equity style investment vehicles, the Partnerships' performance approximates the J-Curve, wherein management fees and start-up costs in the early investment years result in returns which are anticipated to curve upward, and in most instances, where capital contributed is greater than the book value of portfolio investments. It is worth noting that the J-Curve experienced in Bridge Debt I Funds is significantly less pronounced than in the average private equity fund. The Partnerships to-date have achieved a 7.6% net IRR and a 1.09x multiple. As investments season and debt investments without a current pay component are realized, we expect returns to normalize higher. The most recent distribution in November returned an annualized recurring interest yield of approximately 6.9% which is slightly below our target of 8% but we expect distributions to return to that level as we re-position some investments in the coming quarters.

Since inception, the dollar-weighted internal rate of return on actual distributions generated by an investment in the Partnerships has been 6.7%. Our stable, trusted relationship with Freddie Mac has allowed Bridge to be one of the most active purchasers of the K-Series, which represent some of the most attractive fixed income alternatives in the market today: five to ten year tenor, double-digit returns, and low historical default rates. We benefit from tremendous deal flow; from 2014 until 2016, we have been awarded 11 K-Series investments; nine through direct placement and two through a limited auction. In May 2016, we launched our successor offering Bridge Debt II Funds, and have secured \$169.1 million in Bridge Debt II Funds equity capital and \$284.3 million in parallel vehicles through December 2016. Based on our current dialogue with Freddie Mac, we have a robust pipeline of floating rate investments and other select Freddie Mac products in 2017. In our direct lending activities, we continue to see significant opportunity in underserved parts of the debt space, particularly in secondary U.S. markets.

David Brickman, Executive Vice President & Head of Multifamily at Freddie Mac, was the guest speaker at Bridge's LP Annual Meeting in Park City on February 3rd and noted that multifamily originations will continue to rise in response to

greater demand. He forecasts \$300bn in originations in 2017, up from \$282bn in 2016 and \$250bn in 2015. Among his comments, he characterized Bridge as “one of the most important counterparties” to their business.

We want to thank all who were able to attend. For those who are interested, we have the slides from each of the investment teams and presenters available. Thank you, once again, for your support of the Partnerships. If you have any questions regarding Bridge Debt I Funds or your investment, please do not hesitate to contact us or our Australian partner Spire Capital.

With Best Regards,



James Chung  
Chief Investment Officer

### **KF12 ACTIVITY UPDATE**

*Please note all dollar amounts and forecast returns are in US Dollars.*

There were 10 loan payoffs during 4Q16 at par totalling \$123.46MM of Unpaid Principal Balance (UPB):

- Torrance Gardens with UPB \$26.24MM paid off on 10/1/16;
- Parkland Commons with UPB \$13.43MM paid off 10/1/16;
- Spencer Arms Apartments with UPB \$13.29MM paid off 10/1/16;
- Desert Winds Apartments with UPB \$11.67MM paid off 10/1/16;
- Copper Creek with UPB \$9.43MM paid off 10/1/16,
- The Newport Apartments with UPB \$6.26MM paid off 10/1/16,
- Fawn Ridge Apartments with UPB \$5.85MM paid off 10/1/16,
- The Woods Apartments with UPB \$4.08MM paid off 10/12/16,
- Madison Park with UPB \$30.27MM paid off 11/1/16,
- Trinity Towers South with UPB \$2.95MM paid off 12/1/16.

There has been a total of 16 loan payoffs since securitization, totalling \$211.27MM (15.2% of original pool balance)

### **BDSII**

Dear Partner,

Thank you for your continued support of the Bridge Debt II Funds (“Bridge Debt II Funds” or the “Partnerships”). We are pleased to share with you the Quarterly Report for the period ending December 31, 2016. In this letter, we provide (i) an update on the progress of the Partnerships’ fundraising activities; and (ii) an update on the Partnerships’ investment activities to date.

In February 2017, Bridge Investment Group, formerly known as Bridge Investment Group Holdings LLC, introduced the company’s new name and logo. The new branding was motivated by a desire to unify how stakeholders view us and to simplify our organization in a cohesive way. Bridge is taking this opportunity to strengthen its identity with an energetic and elevated logo that builds upon its owner/operator heritage. As part of this initiative, the name of ROC|Debt Strategies Fund II LP has changed to Bridge Debt Strategies Fund II LP.

As always, we continue efforts to improve our communications so the information we provide will be clear and complete. Should you have any questions about the information in the reports, please see the notes page at the end of each report, and of course, feel free to contact us or our Australian partner Spire Capital.

### FUNDRAISING ACTIVITY UPDATE

Since the Funds' inception in July 2016, we have raised \$169.1 million in Bridge Debt II Funds equity capital and \$284.3 million in parallel vehicles established to invest alongside the Partnerships.

### INVESTMENT ACTIVITY UPDATE

Bridge Debt II Funds' current ten investments have a gross asset value of \$164 million and reflect the targeted portfolio composition. The Partnerships' current capital investment in this portfolio totals \$111.7 million and is detailed below. The Quarterly Investment Summary Package provides further detail on each of the current investments held by the Partnerships.

- \$16.4 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF18);
- \$4.9 million floating rate loan commitment secured against Scottsdale Gateway II, a 107,885 square foot office building in Scottsdale, AZ;
- \$23.3 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF20);
- \$3.4 floating rate loan commitment secured against 86 North Apartments, a 144-unit multifamily property in Chapel Hill, NC;
- [?] ~\$6.6 million floating rate loan commitment secured against a Timber Hollow Apartments, a 368-unit multifamily property in Fairfield, OH;
- \$11.7 million floating rate loan commitment secured against a 155 south 4th Street, a 41-unit multifamily property in Brooklyn, NY;
- \$23.4 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF23);
- \$4.0 million preferred equity investment secured against a Narraticon Apartments, a 443-unit multifamily property in Deptford Township, NJ;
- \$12.2 million preferred equity investment secured against a Reserve at the Ballpark, a 321-unit multifamily property in Atlanta, GA;
- \$3.5 million investment in a WFCM 2016-C37 Class D securities (BBB- rated); and
- \$2.3 million deposited in a restricted cash account associated with the Partnerships' warehouse line of credit.

Together, our ten closed transactions and prospective investments fit well within our thesis and project a net 10% plus IRR, which we anticipate will manifest in strong quarterly distributions for our investors (in the 10% range).

Bridge Debt II Funds has made substantial progress since its inception in July 2016. Like all private equity style investment vehicles, the Partnerships' performance approximates the J-Curve, wherein management fees and start-up costs in the early investment years result in returns which are anticipated to curve upward, and in most instances, where capital contributed is greater than the book value of portfolio investments. It is worth noting that the J-Curve experienced in Bridge Debt II Funds is significantly less pronounced than in the average private equity fund. The Partnerships to-date have achieved an 8.9% net IRR and a 1.02x multiple. Also worth noting, however, is the fact that the aforementioned IRR is an annualized figure based on less than half of the year, and therefore not as meaningful as will be presented in subsequent reporting. As investments season and debt investments without a current pay component are realized, we expect returns to normalize.

Our stable, trusted relationship with Freddie Mac has allowed Bridge to be one of the most active purchasers of the K-Series securities, which represent some of the most attractive fixed income alternatives in the market today: five to ten year tenor, double-digit returns, and low historical default rates. We benefit from tremendous deal flow: from 2014 until 2016, we have been awarded 11 K-Series investments - nine through direct placement and two through a limited auction. Based on our current dialogue with Freddie Mac, we anticipate a robust pipeline of floating rate investments and other select Freddie Mac products in 2017. In our direct lending activities, we continue to see significant opportunity in underserved parts of the debt space, particularly in secondary U.S. markets. We target deals under \$50 million, a size that is largely ignored by competing debt funds and traditional lenders, and focus on asset types in which Bridge has significant operational capabilities. This highly-differentiated approach is key to our success in sourcing attractive, risk-adjusted investments in the portfolio.

David Brickman, Executive Vice President & Head of Multifamily at Freddie Mac, was the guest speaker at Bridge's LP Annual Meeting in Park City on February 3rd and noted that multifamily originations will continue to rise in response to greater demand. He forecasts \$300bn in originations in 2017, up from \$282bn in 2016 and \$250bn in 2015. Among his comments, he characterized Bridge as "one of the most important counterparties" to their business.

We want to thank all who were able to attend. For those who are interested, we have the slides from each of the investment teams and presenters available. Thank you, once again, for your support of the Partnerships. If you have any questions regarding Bridge Debt II Funds or your investment, please do not hesitate to contact us or Spire Capital.

With Best Regards,



James Chung  
Chief Investment Officer

Note: A complete copy of the Q4 BDSI (inc KF12) and BDSII Asset Summaries is available to investors and their advisers on request to Spire.

### **Manager Profiles**

The US Investment Manager is Bridge Investment Group Partners, LLC. Bridge IGP has over 25 years experience in successful investment in US value-add real estate and a platform of over 1,000 employees. As at 31 December 2015 Bridge IGP had US\$6.7 billion in AUM across US private real estate and private debt strategies.

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.

For further information please contact Spire Capital on +612 9377 0755 or via email [info@spirecapital.com.au](mailto:info@spirecapital.com.au)

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