

QUARTERLY UPDATE



SPIRE WHOLESAL ALTERNATIVE INCOME FUND NO. 1 (AUD) Q1 2019 (31 March 2019)

Spire Capital Pty Ltd
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Key Fund Details

APIR Code: SPI0001AU
Fund Manager / Trustee: Spire Capital Pty Ltd
Commencement: 9 November 2015
Fund Size: A\$3,791,095
Application Status: CLOSED

Quarterly Update

Positively affecting the unit price during the quarter to 31 March was receipt of income and profit distributions from the underlying funds. Negatively affecting the unit price is the 0.89% increase in the value of the Australian dollar against the USD dollar from US\$0.7040 to US\$0.7103. The Fund does not hedge currency exposure.

The Fund is now paying distributions Quarterly and the Q1 2019 distribution of 1.006 cents per unit includes both Q1 2019 income from all two underlying partnerships, plus returns of capital from BDSI, which is now in its Harvest Period.

The calculation of distribution components will be provided to investors on an annual basis as at 30 June.

Further update information, including performance of individual assets within each of the underlying funds, is provided by the Bridge Debt Strategies Chief Investment Officer, Mr Jim Chung, in his Quarterly Investment Letter commencing on page 3 of this update.

Ordinary Unit Price and Performance (Net of Fees)

As at 31 March 2019 based upon underlying fund Partnership Statements dated 31 December 2018.

Unit Price (Cum)	Quarterly Distribution (CPU)	Unit Price (Ex)	3 months	6 months	1 year	Since Inception (% p.a)
\$0.4639	1.006 cents	\$0.4538	0.67%	-1.12%	11.71%	6.49%

Quarterly Unit Price Movement Breakdown	
Underlying investment	1.56%
Foreign exchange	-0.89%
Other income and expenses	0.00%
Total Movement	0.67%

Asset Allocation as at 31 March 2019	
Cash AUD	1.40%
Cash USD	1.68%
Investments USD	96.92%

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.

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 October 2018 Bridge had approximately US\$12.0 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 democratises and structures leading global institutional quality investment opportunities for the Australian private wealth and SMSF market.

Underlying SWAIF Investments / J-Curve Dashboard

As at 31 December 2018

Metric	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Bridge Debt Strategies I (BDS I) – 68.03% of the SWAIF Investment Portfolio											
Committed Capital (USD)	2,825,000	2,825,000	2,825,000	2,825,000	2,825,000	2,825,000	2,825,000	2,825,000	2,825,000	2,825,000	2,825,000
Percentage of Capital Called for BDS	86.4%	99.2%	99.3%	99.3%	93.2%	97.6%	91.2%	57.0%	52.0%	52.0%	52.0%
IRR on Called Capital	4.6%	6.8%	7.2%	7.9%	8.0%	8.0%	8.4%	8.9%	9.2%	8.1%	8.4%
Equity Multiple on Called Capital	1.04x	1.06x	1.09x	1.11x	1.14x	1.15x	1.18x	1.22x	1.23x	1.21x	1.22x
KF12 – 0.00% of the SWAIF Investment Portfolio											
Committed Capital (USD)	2,833,275	2,833,275 ¹	2,833,275 ¹	2,833,275 ¹	2,833,275 ¹	2,833,275 ¹	2,833,275 ¹	2,833,275 ¹	2,833,275 ¹	2,833,275 ¹	-
Percentage of Capital Called for KF12	99.9%	51.5% ¹	51.5% ¹	51.5% ¹	51.5% ¹	51.5% ¹	51.5% ¹	45.0% ¹	46.6%	37.5%	-
IRR on Called Capital	8.3%	8.8%	7.5%	7.8%	8.2%	6.2%	9.0%	8.9%	12.3%	11.9%	9.2%
Equity Multiple on Called Capital	1.04x	1.13x	1.12x	1.08x	1.09x	1.07x	1.12x	1.13x	1.19x	1.20x	1.15x
Bridge Debt Strategies II (BDS II) – 31.97% of the SWAIF Investment Portfolio											
Fund's Committed Capital (USD) ²			1,327,750	1,327,750	1,327,750	1,327,750	1,327,750	1,327,750	1,327,750	1,327,750	1,327,750
Percentage of Capital Called ²			0%	46.0%	41.4%	67.51%	88.8%	97.7%	97.7%	97.7%	97.7%
IRR on Called Capital			NA	4.2%	5.4%	4.9%	5.6%	6.0%	7.6%	8.3%	7.6%
Equity Multiple on Called Capital				1.02x	1.02x	1.01x	1.02x	1.04x	1.07x	1.09x	1.11x
Blended & Weighted - 100% of the SWAIF Investment Portfolio											
Fund's Committed Capital (USD) ²	5,658,275	5,658,275	5,611,219	5,611,219	5,611,219	5,611,219	5,611,219	5,611,219	5,611,219	5,611,219	4,152,750
Percentage of Capital Called ²	93%	100%	76%	87%	83%	89%	93%	75%	73%	68%	67%
IRR on Called Capital	6.6%	7.8%	7.3%	7.4%	7.8%	6.9%	8.0%	8.2%	9.6%	8.9%	8.1%
Equity Multiple on Called Capital	1.04x	1.10x	1.10x	1.09x	1.11x	1.10x	1.13x	1.15x	1.18x	1.18x	1.18x

SWAIF Portfolio Returns Weighted for Called Capital (assumes uncalled capital = 1.0x multiple)

Equity Multiple	1.04x	1.09x	1.08x	1.08x	1.09x	1.09x	1.12x	1.12x	1.13x	1.12x	1.12x
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SWAIF Portfolio Returns Adjusted for Currency

FX @ Inception = \$US0.73											
FX Rate (AUD = USD)	0.7426	0.76525	0.72410	0.76285	0.76705	0.7846	0.7671	0.7369	0.7236	0.7040	0.7103
Difference	0.0126	0.03525	-0.0059	0.03285	0.03705	0.0546	0.0371	0.0089	-0.0064	-0.0260	-0.0197
FX impact on Returns since inception	-1.7%	-4.8%	0.8%	-4.5%	-5.1%	-7.5%	-5.1%	-1.2%	0.9%	3.6%	2.7%
Equity Multiple adjusted for currency	1.02x	1.04x	1.08x	1.03x	1.04x	1.01x	1.07x	1.10x	1.14x	1.16x	1.15x

Notes:

1. KF12 was the subject a re-mic (re-securitization) in Q3 2017 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. As at 31 December 2018, KF12 was fully liquidated and closed.
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 Letter

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

Bridge Debt Strategies I & II

Thank you for your continued support of the Bridge Debt II Funds (the "Fund" or the "Partnerships"). We are pleased to share with you the Quarterly Report for the period ending December 31, 2018.

MARKET OVERVIEW

Interest-rate markets in the fourth quarter settled into a new range for the 10-year Treasury between 3.08% to start the quarter, rising to 3.23% in early November, and ending the quarter at 2.68%. One-month LIBOR also continued its ascent with tapering toward the end of the quarter, rising from 2.27% to a high of 2.52% near the end of December and eventually settling at 2.50% at the end of the fourth quarter. As we exit the fourth quarter of 2018, Bridge's target markets continue to post strong fundamentals bolstered by a solid and steady U.S. economy and stable financing environment. Real gross domestic product growth is estimated at an annualized rate of 2.6% in the fourth quarter (Bureau of Economic Analysis, as of 2018 Q4). While this growth rate breaks the six-month trend of above 3% growth, the quarter's growth remains above the current expansion's average of 2.3%. The Federal Reserve has moderated its position on interest rate hikes following signals of tempered growth in the economy, low inflation, and tight labor markets. In conjunction with an additional Fed Funds rate increase in December 2018, the FOMC lowered expected 2019 hikes from three to two, and most recently kept rates flat in recognition of some of the factors mentioned above. Despite eight Federal Reserve interest rate increases since 2016, U.S. cap rates were remained flat or down in the fourth quarter of 2018 in Commercial Real Estate Markets (Real Capital Analytics, 2018Q4). Generally, the credit markets weakened towards the end of the quarter due to the corporate credit market that had significant volatility.

In the K-Series B-piece sector, where we are most active, B-piece yields widened slightly. We believe that pricing in K-Series could further widen in 2019 with market volatility. We continue to like the underlying credit of the K-series which we feel will be extremely resilient in a recession. We continue to be more selective on which K-Series credits we focus on as the tighter yield environment has placed a premium on managing credit risk and we have generally focused on lower leverage K-series deals to further mitigate risk.

The direct lending market for U.S. commercial real estate remains competitive, and loan spreads in this market widened slightly in the fourth quarter in reaction to the overall market volatility. We continue to see tremendous relative value in the loan

market, which we feel still exhibits outsized returns in the credit space. In addition, the financing for these loans has allowed us to maintain attractive leveraged yields on these investments due to our warehouse leverage which is unaffected by market movements.

INVESTMENT ACTIVITY UPDATE - BRIDGE DEBT I

As of December 31, 2018, the Partnerships are fully deployed in a portfolio that is projected to deliver solid returns with carefully-managed risk. We are past the investment window of the fund and have entered the harvest period, so far returning 46.8% of contributed capital. We sold a Freddie K-series B-piece (KF12) in the secondary market in the fourth quarter and also had two loans pay off (4627 South Drexel Boulevard & Thunderbird Village Apartments). We also did receive some partial returns of principal on our remaining K-Series investments.

The remaining seasoned K-Series B-piece portfolio consists of two floating-rate deals which have benefited from rising LIBOR and are performing strongly from a credit perspective. The K-Series portfolio has no delinquencies currently. The direct lending portfolio also has no delinquencies, and most of the loans are likely to be paid off in the next two quarters given the underlying value appreciation of the assets over the last few years. As discussed previously, we did have one credit issue in the portfolio related to 1500 CityWest, which is a Houston office building. The property lost its largest tenant unexpectedly at the end of June due to bankruptcy. We worked with the borrower to restructure the debt, but could not find an acceptable compromise. In December, we foreclosed on the asset. Our internal office property management team has taken over management of the asset and formulated a plan to reposition the asset. We are working diligently to make needed capital improvements to the asset as well as find tenants for the vacant space.

Bridge Debt I's nine current investments have a gross asset value of \$43.8 million and reflect the targeted portfolio composition. The Partnerships' capital investment in this portfolio totaling \$61.0 million is detailed as follows:

- ~\$26.9 million purchase of 1500 CityWest Office, a 192,313 square foot office building in Houston, TX;
- ~\$3.7 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF14);
- ~\$3.5 million floating rate loan secured against 4 Mountainview Terrace, a 64,255 square foot office building in Danbury, CT;
- ~\$3.8 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF16);
- ~\$4.0 million floating rate loan secured against 828 Bedford, a 64,255 square foot multifamily property in Brooklyn, NY;
- ~\$7.0 million preferred equity investment secured against New Hampshire Commons, a 288-unit multifamily property in Lakewood, NJ;
- ~\$3.8 million floating rate loan secured against Asbury Park Pavilions, a 42,582 square foot retail property in Asbury Park, NJ;
- ~\$2.3 million mezzanine investment secured against Heritage Hills at Oceanside, a 48-unit senior housing property in Oceanside, CA; and
- ~\$5.0 million mezzanine investment secured against a portfolio of six multifamily properties totaling 1,242 units, Tzadik Multifamily Portfolio, located in Daytona Beach & Orlando, FL.

The Partnerships to-date have achieved an 8.8% net IRR and a 1.23x multiple. Inception-to-date the fund has paid out at an annualized distribution rate of 12.4%.

INVESTMENT ACTIVITY UPDATE - BRIDGE DEBT II

We made the final capital call for the Fund in February 2019 and have effectively been fully deployed since the second quarter. Our rapid pace of deployment in Bridge Debt II Funds has proven to be an effective strategy as our portfolio has benefited from a strengthening credit market and growing economy. The investment window of the Fund ends in July 2019, so we are well ahead of schedule in deploying the Fund.

Within the Fund, we continue to reposition the portfolio as we occasionally receive paydowns or sell positions. We ended 2018 as the largest buyer of K-Series B-pieces, purchasing six K-series B-pieces totaling \$301.4 million in the fourth quarter.

Within the direct lending portfolio, we closed two loans totaling \$48.3 million. We do not plan any future CRE CLOs in the Fund, so these loans were put on our JP Morgan warehouse line.

Within the opportunistic segment of the portfolio, we closed on approximately \$42.0 million of BBB CRE CLO bonds in the fourth quarter. We believe there is significant value in these floating-rate investment grade bonds, which we can finance at very attractive rates and achieve yields above 10.0%. In addition, we closed one Mezzanine loan totaling \$5 million.

Bridge Debt II Funds' current 48 investments have a gross asset value of \$2.3 billion and reflect the targeted portfolio composition. The Partnerships' capital investment in this portfolio totals \$847.8 million and is detailed below:

- ~\$8.5 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF18);
- ~\$9.2 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF20);
- ~\$10.6 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF23);
- ~\$12.2 million preferred equity investment secured against The Reserve at the Ballpark, a 321-unit multifamily property in Atlanta, GA;
- ~\$25.1 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF27);
- ~\$6.9 million investment in a Freddie Mac K-Series CMBS subordinated tranche (K64);
- ~\$12.4 million mezzanine investment secured against The Pointe, a 418,000 square foot office building in Sandy Springs, GA;
- ~\$7.0 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KL01);
- ~\$24.3 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF32);
- ~\$25.7 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KSW3);
- ~\$5.6 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KBF1);
- ~\$23.2 million mezzanine investment secured against 1 Light Street, a 689,665 square foot mixed-use building in Baltimore, MD;
- ~\$16.5 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF35);
- ~\$45.5 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KT02);
- ~\$11.3 million mezzanine investment secured against Fenley Office Portfolio, an office portfolio totaling 922,903 square feet of office space in Louisville, KY;
- ~\$4.1 million mezzanine investment secured against North Pointe Business Park, a 250,506 square foot office complex in American Fork, UT;
- ~\$28.1 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF40);
- ~\$7.0 million mezzanine investment secured against CCP Raleigh Office Portfolio, an office portfolio totaling 276,625 square feet of office space in Wake Forest, Durham & Morrisville, NC;
- ~\$10.9 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KI01);
- ~\$17.9 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KHG1);
- ~\$131.2 million investment in a Bridge Debt Strategies CLO subordinated tranche (BDS 2018-FL1);
- ~\$4.8 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF43);
- ~\$1.9 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KS06);
- ~\$30.2 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KL02);
- ~\$19.4 million floating rate loan commitment secured against GDC White Plains, a 495,214 square foot mixed-use building in White Plains, NY;
- ~\$11.4 million mezzanine investment secured against GDC White Plains, a 495,214 square foot mixed-use building in White Plains, NY;
- ~\$2.9 million investment in a Benefit Street Partners CLO BBB- rated tranche (BSPRT 2018-FL3);
- ~\$7.2 million preferred equity investment secured against a Foster Square Apartments, a 356-unit multifamily property in Voorhees Township, NJ;
- ~\$13.7 million investment in a Granite Point CLO BBB- rated tranche (GPMT 2018-FL1);

- ~\$11.0 million floating rate loan commitment secured against Dolce Midtown, a 201-unit multifamily property in Houston, TX;
- ~\$17.1 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KX03);
- ~\$2.0 million investment in a LoanCore Capital CLO BBB- rated tranche (LNCR 2018-CRE1);
- ~\$7.0 million floating rate loan commitment secured against 5200 Blazer Parkway, a 513,187 square foot office building in Dublin, OH;
- ~\$118.7 million investment in a Bridge Debt Strategies CLO subordinated tranche (BDS 2018-FL2);
- ~\$23.8 million investment in a Freddie Mac K-Series CMBS subordinated tranche (K723);
- ~\$0.77 million investment in a Greystone CLO AA- rated tranche (GSTNE 2018-HC1);
- ~\$21.6 million investment in a Freddie Mac K-Series CMBS subordinated tranche (K81);
- ~\$23.8 million investment in a Freddie Mac K-Series CMBS subordinated tranche (K67);
- ~\$2.4 million equity investment in ROC KF23 Partners LLC, a joint venture entity invested into a Freddie Mac K-Series CMBS subordinated tranche (KF23);
- ~\$20.6 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KI03);
- ~\$1.7 million investment in a Varde CLO BBB- rated tranche (VMC 2018-FL2);
- ~\$5.0 million mezzanine investment secured against 2728 Capital Boulevard, a 520,994 square foot mixed-use building in Raleigh, NC;
- ~\$10.8 million floating rate loan commitment secured against Mazza Student Housing, a 232-unit, 628-bed student housing property in College Park, MD;
- ~\$5.8 million investment in a TPG CLO A- rated tranche (TRTX 2018-FL2);
- ~\$8.8 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KBF2);
- ~\$12.3 million floating rate loan commitment secured against The Redwood, a 75-unit multifamily property in Seattle, WA
- ~\$17.5 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KSL1); and
- ~\$52.2 million investment in a Freddie Mac K-Series CMBS subordinated tranche (KF56).

There were two realizations in the fourth quarter of 2018:

- ~\$7.2 million floating rate loan commitment secured against Timber Hollow Apartments, a 368-unit multifamily property in Fairfield, OH; and
- ~\$6.7 million floating rate loan commitment secured against Tesoro Apartments, a 188-unit multifamily property in Redlands, CA.

Together, our 48 closed transactions fit well within our thesis and project a net 10.0%+ IRR.

Bridge Debt II Funds have 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 the Partnerships is significantly less pronounced than in the average private equity fund. The Partnerships to-date have achieved an 8.1% net IRR and a 1.11x multiple while paying out current distributions in the 10% range. The net IRR slightly decreased from the third quarter due to markdowns of our bond portfolio due to market volatility in the fourth quarter. We expect these markdowns to reverse out over time as the underlying credit of these deals remain solid. Currently, we have no delinquent loans in the entire portfolio. As investments season, we expect Fund returns to continue to trend higher.

Our stable, trusted relationship with Freddie Mac has allowed Bridge to become the largest purchaser of the K-Series since 2017, 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; since 2014, we have been awarded 38 K-Series investments; 33 through direct placement and five through a limited auction. Our third debt fund, Bridge Debt III, recently launched in May 2018, and has secured approximately \$605 million in commitments through the end of the fourth quarter.

Thank you, once again, for your support of the Partnerships. If you have any questions regarding Bridge Debt I or Bridge Debt II Funds or your investment, please do not hesitate to contact Spire Capital on 02 9047 8800.

With Best Regards,



James Chung
Chief Investment Officer
Bridge Debt I & Debt II Funds

Note: A complete copy of the Q1 BDSI and BDSII Asset Summaries is available to investors and their advisers on request to Spire.

SPIRE FUNDS CURRENTLY OPEN FOR INVESTMENT:

Spire USA ROC IV Fund (AUD)

PDS ([click to download](#))

Interactive Application Form ([click to download](#))

Zenith Research Report: "Recommended" ([click to download](#))

Fact Sheet ([click to download](#))

CLOSE DATE: 30 June 2019 (subject to allocation)

For further information please contact either Dale Holmes on 0401 146 106 or Chris Niall on 0419 011 628.

CONTACT US

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