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QUARTERLY UPDATE

SPIRE WHOLESALE ALTERNATIVE INCOME FUND NO. 1 (AUD) Q3 September 2016

Key Fund Details

APIR Code: SPI0001AU
Fund Manager / Trustee: Spire Capital Pty Ltd
Commencement: 9 November 2015
Fund Size: A\$7.69 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 two private debt strategies managed by Bridge Investment Group Partners, LLC; namely ROC Debt Strategies Fund, LP ("RDS") and ROC Debt Strategies KF12, LLC ("KF12").

RDS invests 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 LLC invests in the US Dollar denominated Class C Certificates of a specific December 2015 Freddie Mac Multifamily loan securitisation program known as K-F12. The Class C Certificates have been acquired at an unleveraged gross yield of 10.65% p.a. over LIBOR and represent the subordinate US\$104 million tranche of the securitisation of a US\$1.388 billion pool of Freddie Mac originated loans. 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%.

SWAIF is co-invested in KF12 LLC, holding a 2.72% pari passu interest alongside US based private equity and private credit investor Portfolio Advisors (79.84%) and RDS (17.44%).

The Fund does not hedge its US Dollar currency exposure.

Ordinary Unit Price and Performance (Net of Fees)

as at 30 September 2016 based upon underlying fund Partnership Statements dated 30 June 2016

Unit Price: (CUM)	\$0.9396
3 months:	-5.53%
Rolling 6 months:	5.64%
Rolling 12 month:	N/A
Since Inception:	-0.80%

Quarterly Update

The Fund returned -5.53% for the period from 1 July to 30 September 2016.

The majority of this performance is attributable to the 3.05% increase in the value of the Australian dollar from USD0.7426 to USD0.7653 during the period.

Also contributing to performance for the period was the performance of the Fund's underlying investments in RDS and KF12 investments during Q2, i.e through 30 June. It is Q2 underlying performance which is relevant for the Fund's Q3 unit price and performance calculation, due to the lag in the Fund receiving Partners Statements for underlying investments. This means that the Fund's performance for a quarter is effectively based on underlying investment performance for the preceding quarter, adjusted for currency movements in the current quarter.

The performance of the Fund's invested capital in the underlying funds during Q2 were as follows:

- KF12: +2.4% (all from receipt of income distributions)
- RDS : -1.3% (from income re-allocations as explained following). However, in addition, a component of RDS capital was returned during Q2 which was not recognised as an underlying NAV change until Q3, due to the lag in RDS reporting. This timing difference between cash flows and reporting was responsible for the balance of the Fund's quarterly performance, as explained below.

RDS

During Q2 ROC Debt Strategies Fund, LP (RDS), in which the Fund has 50% of its investment, held its Final Close. This means that a new- and final - round of investors committed capital to RDS. As a result, as occurs after all closes in Limited Partnerships, there was a re-allocation of capital and income to effectively equalise or "true up" new investors in the RDS fund with subsequent investors, which included the Fund. Whilst the Fund did receive its share of equalisation premium paid by Final Close investors, the net result of this rebalancing was that the Fund had to effectively pay back some income it had previously received so that it could be re-allocated to new investors. This resulted in the Fund recording a -1.3% return for its investment in RDS during Q2.

Also as a result of the RDS Final Close and rebalancing, the Fund received back as a return of capital, 14.3% of its capital invested in RDS. The majority of the 14.3% return of capital received has now has been re-invested back into new RDS investments as a result of a capital call received in Q3. As a result, 99.2% of the Fund's capital commitment is currently called for investment in RDS.

As a result of the Final Close rebalancing the Fund also received a partial refund of Additional Amount, or equalisation premium, previously paid by the Fund. This partial refund of Additional Amount was treated by the Fund as a return of original capital in excess of the Fund's committed capital, and therefore included in the return of capital component of the Fund's 30 June distribution to investors.

However, the Partners Statement for the Fund's underlying investment in RDS for Q2, which recorded that return of Additional Amount capital, was not received until late August, i.e after the Fund's 30 June cash distribution and ex-dividend calculation. As such, in calculating the Fund's unit price for Q3, the NAV of the Fund's underlying investment has declined by the amount of the return of capital, but the cash has already been returned to investors. Thus this timing difference in the recording of this partial return of capital has also had a negative effect on the 30 September unit price.

As RDS has now closed to investment, no further rebalancing of the nature describe above will occur.

A copy of the Fund's RDS Q2 Partner Statement which summarises the Fund's investments in RDS and KF12, is annexed to this update when distributed to unitholders, or is otherwise available on request to affiliates of unitholders.

KF12

The Fund's investment in KF12 during Q2 generated a (USD denominated) quarterly yield of 2.4%, or 9.6% annualised, which is in line with our expectations.

During Q3 the Fund's investment in KF12 was the subject of a 50% return of capital due to the re-securisation and re-sale of the senior piece of the KF12 Class C Certificates in which the Fund is invested.

Spire Capital has proposed that this return of capital be re-invested into the follow on fund to RDS, known as ROC Debt Fund Strategies II, LP (RDS2). This proposal is the subject of a current resolution before unit holders.

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 democratises 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

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